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FINANCIAL INSTITUTIONS BUREAU

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ANNUAL REPORT

CALENDAR YEAR 1985

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COMMISSIONER'S COMMENTS

I am pleased to state in this 97th Annual Report of the Financial Institutions Bureau that Michigan's financial institutions generally are healthy and serving the needs of Michigan residents. Perhaps the best indicator of their health is that not one state chartered bank, credit union or savings and loan in our State failed in 1985, and only one federally chartered institution was closed here last year. As a point of reference, across the nation more banks failed last year than at any time since the Great Depression.

This financial stability enhances the state's ability to attract capital investment from outside Michigan. When considered in conjunction with our refound fiscal stability and the economic growth now occurring in much of Michigan, our financial stability becomes a cornerstone of continued economic health.

But the financial health we have come to expect in Michigan has not come without significant efforts on the part of the Governor and the Legislature. Much of the credit for the success of these efforts goes to the Governor and the Legislature which supported a level of supervision which has produced a notably stable financial system. That support, particularly during the belt-tightening years which balanced the State's budget and reduced the State's work force by 20%, evidences a recognition of the importance of a healthy financial industry to the well-being of all segments of the State's population.

It is good to keep in mind, however, as we consider the cost of vigilant supervision of our financial institutions, the awful cost of failure to fund responsible supervision. Depositors in Ohio and Maryland are still smarting from the disasters that befell their privately insured savings and loan associations last year. Ohio officials estimate their state will spend as much as $250 million in picking up the pieces following the failure at Home State Savings. Maryland officials noted at the end of December that deposits at three savings and loan associations are still frozen, and that 68,000 depositors with accounts at eight small savings and loans can withdraw only $1,000 a month even though their institutions have reopened. Maryland officials estimate that their total losses could top $300 million and that related legal battles likely will run into the next decade.

My staff and I take seriously our mission of maintaining public confidence in the State's financial institutions. The record of stability our institutions have earned will help to foster continued confidence in Michigan's banks, savings and loans, and credit unions. Traditionally our responsibility to assure that institutions are operated in a safe and sound fashion has been met by regular examinations, by meetings with boards of directors, and by careful reviews of applications for new institutions or new powers. Last year, recognizing the special concerns of farm banks, this agency worked with the Governor's Office and the departments of Treasury and Agriculture to develop a plan that would help farmers - and their bankers - through the rough spell. The resulting program made loans, for planting and other working capital purposes, at reduced interest rates to farmers who were encountering financial stress. Participation in the program was a good way for farm banks to demonstrate the strength of their commitment to their communities, and it has contributed to maintaining public confidence in the financial system in rural areas.

The absence of failures among Michigan's depository institutions, even in the face of the changes occurring in the financial industry, attests, I believe, to the inherent stability of our financial system. Deregulation of deposit interest rates, to be completed by March 31, 1986, has engendered a plethora of new deposit products. Electronic funds transfer technology (see the body of the report for an update on its growth) has changed not only the "look" of the financial industry, but also the way that banks provide services and the public's expectations of convenience and accessibility.

I was pleased, in 1985, to welcome into Michigan the first foreign bank to charter an agency office under the 1984 Foreign Banking Act. Lloyds Bank PLC opened its offices in the Renaissance Center last September. At that time, I also appointed a foreign banking advisory committee to help identify means of attracting other foreign banks interested in the kinds of opportunities available in Michigan.

Last December, Governor Blanchard signed a piece of legislation that will have far-reaching implications for the way Michigan's banking organizations operate. Two years in the making, the new law opens doors for banks in Michigan and our surrounding states. It grants state chartered banks powers similar to those national banks gained in the Garn - St. Germain Act of 1982. It opens new avenues for venture capital investment by banks in new and emerging companies that have a potential to create jobs in the state. (Banks previously were not permitted to take equity positions in such companies).

Perhaps its most striking features will be more apparent several years down the road. The new law permits independent banks across the state to merge with each other and achieve economies of scale that will help them to compete with larger banks. It permits multi-bank holding companies to consolidate their bank subsidiaries into as few as one or as many as six banks and operate the consolidated offices as branches. This not only reduces operating costs for the holding company, but it may help stabilize financial service costs for consumers and will improve locational convenience of financial services for those who travel about the state frequently.

The bill's provisions regarding interstate banking have received the most publicity. Bank holding companies in Michigan are now permitted to purchase banks in Ohio, Indiana, and Illinois (as well as Wisconsin and Minnesota if they enact similar laws), and holding companies in those states can buy Michigan banks. It is hoped that such activities will bring additional investment into Michigan.

In 1986, we plan to refine our supervisory techniques to accommodate these changes. I've already begun to discuss with bank supervisors in Illinois, Indiana and Ohio how we can effectively supervise the regional banking organizations that will develop in the next few years. We will expand our use of offsite examination techniques utilizing micro computers to assist and speed the examination process.

Anticipating further withdrawal by the Federal Reserve and Federal Deposit Insurance Corporation from bank examination activities in 1986, we undertook to review our own operations to assure we could assume the increased work load and maintain our high standards. I felt confident that our programs were good, but since the Federal Reserve and FDIC would also be relying more heavily on our work, we applied for a peer review under the Conference of State Bank Supervisors Performance Standards Appraisal Program. The review, conducted in February, 1986, if it results in accreditation of this Bureau's bank regulatory programs should serve to assure both federal regulators and Michigan citizens of the quality and reliability of our supervisory programs.

Assuring that financial services are available to meet the needs of Michigan's residents and that appropriate consumer protections are in place is another factor in maintaining confidence in our financial industries. One of our primary responsibilities in this area is enforcement of the State's 1977 mortgage anti-redlining law. Each year my staff analyze data reported by the State's mortgage lenders and report their findings.

Consumer, labor and financial organizations are assisting us to develop new analytical approaches to make the data more meaningful and to identify new applications for the data and methods of encouraging lenders to participate affirmatively in mortgage lending in low income and high minority areas.

Manufacturers National Bank has taken the lead in targeting neighborhoods for special reduced rate financing. Last December, the Bureau and the Michigan State Housing Development Authority (MSHDA) convened a meeting with representatives of the State's major bank holding companies in hopes of improving lender participation in MSHDA programs. MSHDA recently announced that it has awarded a grant to the Michigan Housing Trust Fund to improve residential structures, and it is becoming more active in targeting neighborhoods for improvement dollars. I have confidence that other lenders and investors will follow their example and demonstrate their firm commitment to their communities. We are also exploring in this area ways to make voluntary review boards more visible and more active.

My staff have been working with the Office of Minority Business Enterprise to establish a training program directed toward encouraging development of minority ownership in the financial services industry. The program, likely to be implemented in 1986, will have three broad objectives:

1. Encouraging formation of minority owned businesses in the financial services industry;
2. Increasing development of the financial services industry in areas which will meet the service needs of residents in older urban neighborhoods; and
3. Promoting economic development in a way that will be self-perpetuating by encouraging and assisting private business enterprises in older urban neighborhoods.

In last year's banking legislation we made a good start on our long term goal of modernizing the laws governing depository institutions. In 1986, we will support legislation to modernize the 61-year old law under which credit unions operate, and, down the road, we are looking at major changes for thrift institutions as well. In 1986 we will also be pursuing legislation to improve consumer protections in the purchase of money orders, and to create another mechanism for investment in small and growing businesses. In addition, I have appointed a task force to explore new options for providing a range of financial services in areas which may not be served by traditional depository institutions.

In summary, I am proud of our accomplishments during 1985 and, if I may peer into my crystal ball for a moment, I'm confident that 1986 will be equally challenging and rewarding. Michigan's financial institutions will continue to receive the very highest quality supervision, and I am hopeful that the decision regarding accreditation of our bank supervision program will be made in the first half of the year. Activity has already commenced under the State's new interstate banking law and its intrastate structural provisions. From my perspective, the outlook for 1986 cannot be less than exciting.

Eugene W. Kuthy

Eugene W. Kuthy
Commissioner

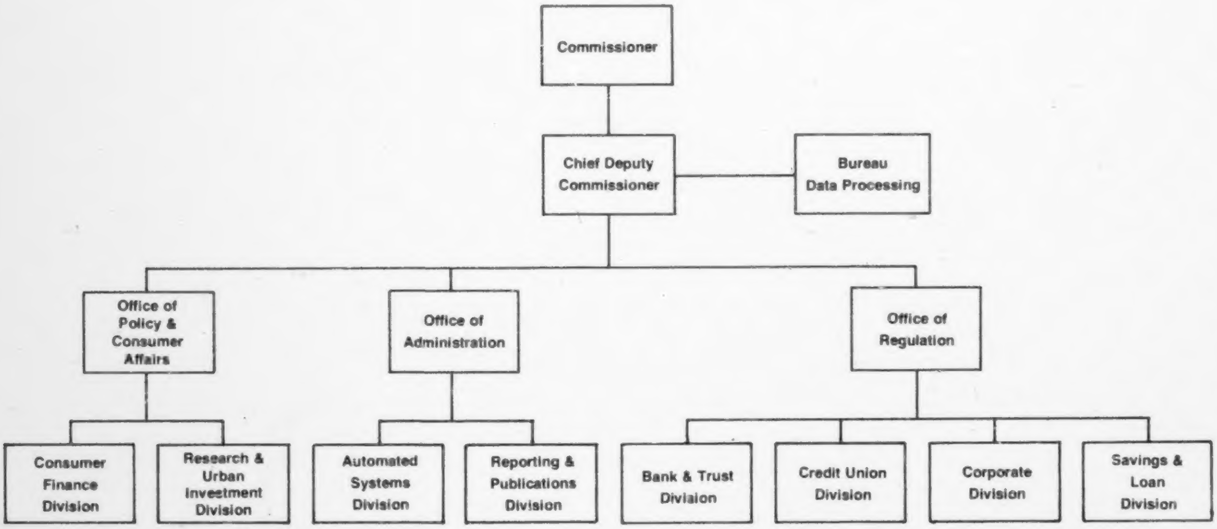
FINANCIAL INSTITUTIONS BUREAU

The Financial Institutions Bureau of the Michigan Department of Commerce was created under Section 11 of the Michigan Banking Code of 1969 and is responsible for the chartering, regulation, examination and supervision of state-chartered banks, credit unions and savings and loan associations. The Bureau also licenses and supervises the activities of regulatory loan, motor vehicle installment seller, sales finance, secondary mortgage and sale of check licensees; administers and enforces Michigan's mortgage anti-redlining law; monitors electronic fund transfer activities and conducts various consumer complaint and information programs.

Organization

The overall administration of Bureau activities is the responsibility of the Commissioner of the Financial Institutions Bureau. The Commissioner is appointed by the Governor with the approval of the Senate and serves at the pleasure of the Governor under the provisions of the Michigan Banking Code. The Commissioner is assisted in the administration of the Bureau by a Chief Deputy Commissioner, Deputy Commissioners of the Office of Regulation and Office of Policy and Consumer Affairs, and the Director of the Office of Administration.

ORGANIZATIONAL CHART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Bank & Trust Division
Credit Union Division
Corporate Division
Savings & Loan Division

Mission and Goals

The primary mission of the Financial Institutions Bureau is to maintain "public confidence" in Michigan's Financial Institutions. To fulfill this mission, the Bureau has three major goals:

1. To ensure that safe and sound financial practices, which minimize the risk of insolvency, are being exercised.
2. To ensure that financial services are available to meet public (consumer and business) demands and that consumer/depositor protections are adequate.
3. To maximize the capacity of Michigan's financial intermediary system to foster efficient and effective use of Michigan's capital resources.

The Bureau achieves these goals by:

- Examining and supervising financial institutions;
- Developing a highly efficient and effective staff; and,
- Developing and maintaining open lines of communication with staff, consumers, financial industries, governmental agencies and others.

Bureau Revenue and Expense

The Bureau has completed its second full year of restricted bank and credit union fee funding of 74% of total Bureau expenses. Remaining spending authorization was funded with general purpose state funds. Legislation is currently pending that would generate and restrict fees to fund a large portion of the Consumer Finance Division expenses.

Total revenue in FY 85 increased by 6% over FY 84 generating $4,623,000 of which $4,421,000 is restricted to the Bureau's use only. Bureau expenditures increased by 9% over FY 84 to $5,521,000 in FY 85. The ratio of revenue to expenses in FY 85 was 84%, down slightly from FY 84. An expense increase of 10% is projected for FY 86 with revenue increasing by about 13%.

BUREAU REVENUE AND EXPENSE

Dollars in Thousands

Program	FY 1982		FY 1983		FY 1984		FY 1985	
	Revenue	Expense	Revenue	Expense	Revenue	Expense	Revenue	Expense
Bank and Trust	$2,323	$2,479	$2,334	$2,563	$2,752	$2,898	$2,993	$3,251
Credit Union	656	1,269	998	1,294	1,410	1,467	1,428	1,601
Savings and Loan	60	248	53	225	51	263	41	218
Consumer Finance	152	338	171	315	162	275	161	257
Mortgage Anti-Redlining	0	176	0	186	0	160	0	194
TOTALS	$3,191	$4,510	$3,556	$4,583	$4,375	$5,063	$4,623	$5,521

Regulatory Responsibilities

At year-end 1985 the Bureau was responsible for the regulation, examination and supervision of over 800 financial institutions with assets in excess of $39 billion.

STATE-REGULATED FINANCIAL INSTITUTIONS

Dollars in Billions

	Banks		Credit Unions		Savings and Loans		Regulatory Loan Licensees		Totals	
	1984	1985	1984	1985	1984	1985	1984	1985	1984	1985
Main Offices	248	241	500	480	20	11	72	70	840	802
Branch Offices	1,142	1,137	—	—	82	22	—	—	1,224	1,159
Total Assets	$32.7	$34.4	$4.4	$5.4	$2.6	$.61	$.2	$.3	$39.9	$40.71
Total Loans	$17.7	$19.1	$2.4	$2.6	$2.0	$.53	$.1	$.1	$22.2	$22.33
Total Deposits	$28.0	$29.7	$4.1	$5.1	$2.1	$.05	—	—	$34.2	$34.85

It is primarily through the examination and supervision process and the regulation of corporate activities that the Bureau determines if Michigan's state-regulated financial institutions are complying with applicable law and exercising sound financial practices. Due to the current trend toward the deregulation of financial services, the need for adequate examination and careful supervision of financial institutions is steadily increasing. Deregulation places a greater emphasis on management talents and exposes those institutions with inadequate management to a much higher level of risk to their safety and soundness. Consequently, the Bureau is playing a more active role in evaluating management, boards of directors, their policies and programs. The Bureau continues to pursue steps to ensure that each institution's board of directors and management recognize their responsibility for the safe and sound operations of the financial institution.

During an examination, Bureau examiners evaluate such key factors as an institution's quality of assets, capital adequacy, earnings, liquidity, management capacity and performance, policy adequacy and implementation, consumer compliance and adherence to law. If an examination reveals a situation which may constitute a potential threat to the safety and soundness or the solvency of the institution, appropriate supervisory action is initiated. Such action may include board meetings, memoranda of understanding, cease and desist orders, officer and director removals and an extensive program of follow-up visitations of problem institutions.

In addition to examinations, the Bureau conducts on-premise evaluations of data processing centers serving financial institutions. The purpose of these evaluations is to bring to the attention of financial institutions areas in data processing operations which could lead to inaccurate, interrupted or discontinued processing.

In response to the changing conditions confronted by today's financial institutions, the Bureau has been pursuing additional techniques and mechanisms for monitoring financial institutions' performances. In early 1984, the Bureau engaged with federal regulators in the first simultaneous examination of all the banks in a major bank holding company and of the holding company itself. Though the coordination effort was enormously complex, all benefited from the opportunity to observe each other's methods and from the different perspectives brought to discussions on major issues. This type of examination was an unqualified success and will become more common in the coming years.

In conjunction with examinations, the Bureau is developing additional offsite financial analysis techniques through the use of microcomputers. Offsite automated surveillance will improve the Bureau's ability to recognize warning signals and deal with adverse trends on a more timely basis. The new microcomputer technology will facilitate financial modeling and help us to understand how changes in market conditions will and do affect financial institutions, individually and collectively. The machine generation of consolidated and comparative data will free examiners' time for closer inquiry into quality of, and adherence to, formal policies and operating procedures, and quality of management.

Outlook for the Future

One of the main objectives of the Bureau is to help foster economic growth in Michigan. Financial institutions traditionally have played a vital role in promoting economic development and expansion in our state and will continue to do so in the future. The Bureau is strongly committed to researching and developing new programs which are responsive to public need, encourage innovation and competition within the industry, and assist in Michigan's economic revitalization.

SIGNIFICANT DEVELOPMENTS

Impact of Supreme Court Decisions on Bank Structure Developments

Throughout the past five years, deregulation has been the center of attention for the financial services industry. As a result of the Depository Institutions Deregulation and Monetary Control Act of 1980 (PL 96-221) and the Garn-St. Germain Depository Institutions Act of 1982 (PL 97-320), financial institutions continually have been challenged by the gradually increasing competition for depositor funds. As the final vestiges of interest rate controls on time and savings deposits are removed early in 1986, two recent U.S. Supreme Court decisions have focused industry attention on emerging structural issues.

On June 10, 1985 in Northeast Bancorp., Inc. vs Federal Reserve Board, the Supreme Court upheld Massachusetts and Connecticut laws that permit bank mergers across state lines while limiting participation to those banks in certain New England states. This decision cleared the way for the mergers of several New England banks and removed the legal uncertainty that had impeded the development of regional banking in other parts of the country. Encouraged by this decision, 12 states and the District of Columbia enacted new or expanded interstate banking legislation during 1985. This decision allows for regional compacts and provides for a transition to nationwide banking at a pace and scope determined by the states involved, unless Congress provides otherwise through legislative action.

The second Supreme Court decision (Federal Reserve Board vs Dimension Financial Corp.), announced on January 22, 1986, dealt with the issue of limited-service or nonbank banks. In this case, the Court found that the Federal Reserve Board had exceeded its legal authority in attempting to restrict the activities of these nonbank banks. These limited-service banks are attractive because they circumvent prohibitions on interstate banking. They are also attractive to commercial concerns because they avoid the prohibitions on mixing banking with commercial activities. These limited-service banks may make commercial loans or accept demand deposits but may not do both, according to federal law.
Many believe that this decision will accelerate the development of nationwide banking, while providing strong competition for the thrift industry and small community bankers. Others feel that Congress will act to override the effects of the decision and restrict ownership of these limited-service banks.

Regional Compacts in the Northeast and the Southeast

The growth of regional interstate banking in the New England and Southeastern states has emerged as a significant development in the financial services industry. Spurred on by the recent Supreme Court decision in Northeast Bancorp. Inc. vs Federal Reserve Board, the Southeastern states, in particular, have been actively involved in implementing interstate legislation this past year.

In the Southeast, seven states (Florida, Georgia, Maryland, North Carolina, South Carolina, Tennessee, and Virginia) plus the District of Columbia have enacted interstate banking legislation. These laws were enacted within a relatively short period of time. The relative ease with which the legislation was enacted was due, in part, to recommendations made by the Southern Regional Banking Committee (SRBC) which was formed by the Southern Group Policy Board. The SRBC was charged with reviewing state-imposed restrictions on commercial banking operations and recommending ways in which the Southeastern states might cooperate in bringing about changes in banking laws to enhance economic development in the region. The SRBC was formed partly in response to recommendations by Governor Graham of Florida who favored the regional interstate banking approach as a stopgap measure to prevent the influx of large New York and other northern banks to Florida. This approach was favored by other Southeastern states as well, resulting in this regional arrangement.

The New England region was established when the states of Connecticut, Maine, Massachusetts and Rhode Island enacted legislation permitting regional reciprocal banking. The New England region was the first to develop the regional banking concept. This is not surprising in view of the similarity of the economies of those states, the small geographic area of the region, the existence of regional multistate institutions working toward achieving regional objectives, and the close similarity of the branching laws of the states within the region.

Common to both of these interstate agreements is the regional reciprocity provision. A state with a regional reciprocity law permits out-of-state banking organizations to acquire in-state banking organizations, provided the out-of-state banking organization's home state grants similar privileges to banking organizations in the target state. This reciprocity privilege is typically restricted to banking organizations from specified states. To date, the lists of specific states have taken two forms. The narrower one limits the reciprocity privilege to contiguous states. The broader one grants reciprocity to banking organizations from states in a particular geographic region, such as New England. Of the 12 states previously mentioned, all except Maine contain a regional restriction, and only one, Rhode Island, is currently scheduled to expand to a nationwide basis on July 1, 1987.

Michigan's Banking Structure Reform

On December 5, 1985, Governor Blanchard signed into law Public Act 177 of 1985. This legislation, effective January 1, 1986, amended the Michigan Banking Code of 1969 to permit a bank holding company based in Illinois, Indiana, Minnesota, Ohio or Wisconsin to acquire banks in Michigan, if Michigan bank holding companies, in turn, could acquire banks in those states under similar conditions. This provision will be in effect until October 10, 1988, at which time a bank holding company located in any state will be eligible to acquire Michigan banks, if Michigan bank holding companies, in turn, can acquire banks in those states.

The acquisition of a Michigan bank would be subject to the approval of the Commissioner of the Financial Institutions Bureau. The Commissioner's approval will depend upon an evaluation of five factors. First, that the laws of the state in which the bank holding company is located authorize a Michigan bank holding company to acquire one or more banking institutions located in that state under conditions that are not unduly restrictive. Second, that an acquisition by a Michigan bank holding company in that state would not restrict the powers or privileges of the banking institution acquired. Third, that the Commissioner determines that an acquisition is not likely to impair the safety and soundness of the Michigan banking institution to be acquired or a Michigan banking institution that is already controlled by the acquiring bank holding company. Fourth, that an acquiring bank holding company sign an agreement which provides that the bank holding company and all its subsidiaries, wherever located, will comply with Michigan's usury and consumer protection laws (other than unsecured open-end credit) when making loans to Michigan residents who do not travel out of the state to obtain the loan. And fifth, in connection with an application filed for approval to make an interstate acquisition, that the composite record of the bank subsidiaries of the bank holding company in meeting the credit needs of their respective communities is satisfactory.

In the case of an application filed by a Michigan-based bank holding company to acquire a banking institution located in another state, the Commissioner must determine whether the applicant has satisfied conditions four and five above before granting approval.

In addition to authorizing interstate banking, this legislation permits a Michigan bank holding company to consolidate its subsidiary banks and branch offices into not more than six surviving banks on a statewide basis. Currently, some bank holding companies have 20 or more separate subsidiary banks that are widely distributed throughout the state. Such a bank holding company could consolidate its subsidiary banks into a maximum of six surviving banks and operate the existing offices of the consolidated banks, as branches, notwithstanding the current branching restrictions. Following such a consolidation, the surviving bank(s) could establish and operate new branches but they would be subject to the same geographic and home office restrictions as currently apply. The branching location of the surviving bank (the designated point of reference from which a consolidated bank will limit prospective branching) will be permanent, irrespective of whether the main office of the bank is later moved or closed.

The legislation provides for a 2 1/2 year "roll-up" provision, i.e., the waiting period after a new or de novo bank is established before it can become part of the consolidated branching network of an existing bank in a bank holding company system.

Two or more independent banks can consolidate on a statewide basis irrespective of the current branching restrictions. The surviving bank to such a consolidation would, however, be subject to the current geographic and home office restrictions on prospective branching.

Changes in banking laws are seen as providing several benefits. First, this will improve the efficiency in a bank holding company structure by allowing for the consolidation of banks and reducing operating costs from the duplication of common functions. In a bank holding company, each banking subsidiary must have its own officers, board of directors and accounting records. A branch, on the other hand, usually has a single branch manager, has its accounting centralized in the main office, and follows policies established by the main office. Bank customers will benefit to the extent that the efficiencies resulting from such consolidations are passed on to depositors, borrowers and other customers. Finally, the law provides technical changes designed to streamline the application procedures for bank holding company acquisitions and to reduce the cost of holding company operations.

The law also provides state banks with new powers similar to those granted to national banks by the Garn-St. Germain Depository Institutions Act of 1982. For example, it permits state banks to purchase the shares of a bankers' bank, increase lending limits, and allows additional flexibility in making real estate loans. State banks are authorized to make venture capital investments in emerging growth companies and in professional venture capital firms. This ability to make venture capital investments is seen as an important new power for banks. Not only could it add to the strength of the institution by allowing for improved earnings and a more diversified investment portfolio, but it may also provide an additional source of investment capital which will benefit the state as a whole.

Farm Assistance Program

As part of Governor Blanchard's program to assist Michigan's farmers, he signed House Bills 4571 and 4690 (Public Acts 12 and 90 of 1985, respectively) to create the Michigan Agricultural Assistance Loan Program. Under this program, $139 million of the State's Common Cash Fund was authorized to be deposited in financial institutions and, in turn, made available as agricultural loans to Michigan farmers who were experiencing financial stress and difficulty in meeting their financial obligations.

The State placed deposits in participating institutions with the rate set every 90 days at two percentage points below the 90-day U.S. Treasury bill auction rate for the week in which the deposit was made. Loans were granted by the financial institutions from the funds deposited to financially distressed farmers at not more than three percentage points above the same 90-day Treasury bill auction rate. The maximum amount of debt any one farmer could have under the program could not exceed $100,000.

As of December 31, 1985, 79 financial institutions had participated in the program, including ten production credit associations and 69 depository financial institutions. Of the $139 million authorization, $131.2 million was deposited with participating financial institutions during the first two phases of the program. There were 2,913 loans made to Michigan farmers under the program with an average loan amount of $42,674 and an average interest rate paid of 9.26%.

Foreign Banking Promotional Program

In 1984, legislation was passed (Public Act 250) which authorized the establishment of foreign bank agencies in Michigan. The legislation allows foreign banks to establish agency offices in this state, with the goal of attracting new capital for investment purposes into Michigan. Regulators in states which have permitted foreign banks to establish offices, report that foreign banks have made sizeable investments in their states, and that the presence of foreign banks in a state can be attractive to foreign industries looking to establish U.S. offices.

As part of an ongoing foreign promotional program, Commissioner Kuthy and senior staff met on January 24, 1985 with the California Superintendent of Banking in San Francisco to learn about that state's approach to the regulation of foreign banks. While in San Francisco, the same Bureau representatives met with officials of the International Bankers Association to discuss the tax treatment of foreign bank agencies in Michigan.

By invitation of Governor Blanchard, foreign bankers on the east and west coast were encouraged to attend the Grand Prix in Detroit on June 21-23, 1985. In response to this invitation, foreign banks from London, Amsterdam, Paris and Madrid sent officials to the third annual auto race. Among the foreign banks attending the auto race, were representatives of Lloyds of London, the first foreign bank to file an application to open an agency office in Michigan.

Efforts to attract foreign bank agencies to Michigan also included the establishment of a Foreign Bank Advisory Committee composed of foreign bankers, Michigan bankers, a legislator, a representative of the Mayor of Detroit, a representative of a CPA firm and a law firm involved in international banking, the director of the Office of International Development, and the Commissioner of the Bureau.

The committee held its first meeting on September 16, 1985 at the Detroit Renaissance Center to discuss ways in which the State could attract foreign banks to Michigan. The meeting commenced with Commissioner Kuthy presenting to Mr. Frederick Moryl of Lloyd's Bank International, Ltd. the first certificate of authority to commence business in the State under Michigan's International Banking Act. Members of the committee then described the role of their organizations in foreign banking.

The Foreign Bank Advisory Committee will be meeting periodically to explore ways of providing information about Michigan to foreign banks, and streamlining the procedures to obtain approvals necessary at the state and local levels to establish an agency in Michigan. The Bureau worked closely with the Office of International Development which has develped a book designed to promote foreign banking in Michigan. The book will be reviewed by the Foreign Bank Advisory Committee in the near future.

Major Legislative Changes

The Bureau is active in the legislative process and was instrumental in the passage of several significant bills affecting financial institutions or the users of financial services during 1985. Highlights of these bills are stated below:

House Bill 5105 (P.A. 177)

On December 5, 1985, landmark banking reform legislation (Substitute for House Bill 5105) was signed into law by Governor Blanchard. PA #177, as previously discussed, amends the Banking Code of 1969, to permit interstate banking, reform the branching law, and give new powers to state banks.

House Bill 5015 (P.A. 136)

On October 15, 1985, Substitute for House Bill 5015 was signed into law (PA #136) by Governor Blanchard. PA #136 amended PA #351 of 1984, which was intended to "otherwise regulate" the enforcement of due-on-sale clauses for so-called window period loans, as permitted by the Garn-St. Germain Depository Institutions Act of 1982. Readers of the 1984 Annual Report will recall that, as enacted, PA #351 provided that beginning on October 15, 1985, the holder of a window period real property loan originated by a lender other than a federal savings and loan association, a federal credit union, or a national bank would be able to enter into an agreement with the borrower whereby, in exchange for the lender's written consent to a proposed sale or transfer, the borrower could be required to agree to an amendment to the window period loan providing for a higher rate of interest for a period of not less than three years after the date of sale or transfer. There were concerns over the constitutionality of this provision as it related to the sale or transfer of properties subject to mortgages having remaining maturities of less than three years, e.g., balloon mortgages. To accommodate such mortgages, PA #136 provided that the borrower could be required to agree to an amendment to the window period loan providing for a higher rate for a period beginning on the date the loan contract is amended and ending on the date at least three years after the period begins or on the date the loan was originally scheduled to become due, whichever date is earlier.

PA #136 also provided that the act would not prohibit a lender, before or after determining the creditworthiness of a proposed buyer or transferee, from permitting an assumption at the existing rate on a window period loan.

House Bill 4571 (P.A. 12) and House Bill 4690 (P.A. 90)

These acts provide below-market interest loans to farmers for current needs. Under the program, the State Treasurer deposited funds at below-market interest rates in financial institutions which, in turn, used the proceeds to make low interest loans to farmers. Refer to earlier section for more detail.

Senate Bill 81 (P.A. 155)

The act amends the Secondary Mortgage Act by deleting the December 31, 1985 sunset date for the 18% per annum maximum interest rate. If this action had not been taken, licensees under the Secondary Mortgage Act could not charge a rate in excess of 15% per year on secondary mortgage loans executed after December 31, 1985.

Senate Bill 78 (P.A. 7)

The act amends the Michigan Usury Statute by deleting the April 1, 1985 sunset date on the following provisions:

1. The provision establishing an 11% interest rate ceiling on land contracts made by individuals and lenders not regulated by other state or federal laws (This provision does not cover land contracts for residences on which there are no underlying mortgages which, due to a federal preemption, have no interest rate ceilings.);

2. The provision that allows the parties to a land contract, note, bond, or other indebtedness of $100,000 or more secured by real property other than a single-family residence to negotiate any rate of interest;

3. The provisions allowing and regulating what are commonly referred to as pledged-account graduated payment mortgages. (These graduated payment provisions apply only to a loan the primary security for which is a dwelling to be occupied by the owner, or a land contract for the sale of a dwelling which is to be occupied by the owner. Under such mortgage arrangements, an interest bearing depository account is set up as a condition of the mortgage or land contract, and payments are drawn from the account to supplement periodic payments made by the borrower or buyer to the lender or seller, thus allowing the periodic payments initially to be smaller than what would be required under the amortization schedule, and then to increase gradually.); and

4. The provisions established by Public Act 6 of 1984 allowing the parties to an extension of credit secured by a lien on a mobile home to agree in writing to the payment of up to 11% annual interest on the loan, if the lien is taken or retained by the seller to secure all or part of the mobile home's purchase price (These provisions do not apply to the sale of

mobile homes through retail installment transactions) or the first lien sale of a principal residence.

If this action had not been taken, contracts entered into after April 1, 1985, could not contain a rate of interest exceeding 7% per year.

House Bill 4457 (P.A. 202)

The legislation permits the offering of home improvement charge agreements under the Home Improvement Finance Act at a maximum interest rate of 1.2% per month on the unpaid balance for the purchase of goods and/or services for home improvement over $300. The act provides an interest rate of 1.375% per month if the auction rate at two successive auctions of 26-week U.S. Treasury bills is 8% or more. If the rate at two successive auctions of 26-week U.S. Treasury bills is less than 8%, the home improvement charge agreement interest rate reverts to 1.2% per month.

House Bill 5122 (P.A. 195)

PA #195 amends the Credit Union Act by permitting state-chartered credit unions to act as trustees on IRA accounts. Before the amendment, a credit union could act as an IRA custodian but not as an IRA trustee. As a result, credit unions offered IRA accounts to their members through a bank acting as trustee. Providing impetus to the need for the amendment was the planned steep increase in the price of the outside trustee service. Faced with this prospect, many credit unions would have been forced to convert from the trustee program to a credit union custodial arrangement. The conversion from a trustee to a custodial plan would require a change in the basic account agreement which, in turn, must be accepted by each participating member. A credit union which is permitted to act as a trustee can, with no change in the basic agreement, change the trustee designation from the outside bank trustee to the credit union.

The Bureau's Legislative Initiatives

Credit Union Modernization

Credit unions would gain some flexibility while the Bureau would see its regulatory authority strengthened under a draft proposal to modernize the Michigan Credit Union Act. The modernization, on which the Bureau provided technical input, would substantially revise the 60-year-old law.

In addition to numerous technical amendments, the proposal contains new powers for credit unions, measures to increase their organizational flexibility, and new and stronger supervisory powers for the Bureau. For example, the proposal would authorize a credit union to invest in or make loans of up to 2% of its shares, deposits, undivided earnings, and reserves in any one credit union service organization (CUSO), and the aggregate of such investments could not exceed 5% of its shares, deposits, undivided earnings, and reserves. A CUSO is an organization which engages in activities incidental to the conduct of a credit union, in activities which further or facilitate the purposes of a credit union, or which furnishes services to credit unions.

In addition, the draft would expand the investment powers of credit unions and would liberalize the authority to merge. Under the proposal, a credit union could merge with another credit union, notwithstanding the nature of the continuing credit union's field of membership.

The legislation would authorize the Commissioner to remove for cause, a director, officer, committee member, employee, agent, or other person participating in the affairs of a credit union. It also would empower the Commissioner to appoint a conservator if a credit union becomes insolvent or refuses to pay its shares, deposits, or other obligations as required under the terms and conditions of the applicable underlying agreements.

The proposal would give to credit unions increased organizational flexibility, i.e., it would make the supervisory committee and credit committee optional. If a credit union elected not to have a supervisory or credit committee, the board of directors would perform the duties of the committee(s) or delegate the responsibilities as it deemed appropriate. Finally, the draft would ease the requirements for conversion from a state-chartered credit union to a federal credit union, making such requirements more consistent with the procedure for conversion of a federal credit union to a state charter.

Business And Industrial Development Corporations

The Bureau has been involved in providing technical assistance for the development of Senate Bill No. 564. The legislation will authorize the licensing of Business and Industrial Development Corporations (BIDCOs), a new type of private financial institution authorized to provide financing and management assistance to businesses including start up and emerging growth companies. BIDCOs will play a vital role in the economic revitalization and diversification of the state's economy. BIDCOs could make SBA-guaranteed loans, direct collateralized or unsecured loans, loans with equity features and straight equity investments in companies. In addition, they may provide management assistance to help ensure the success of the companies in which they invest.

The capital structure of a BIDCO, and the regulatory mechanism, are designed to facilitate the formation of a financial institution that is well-positioned to make loans and investments which entail more risk than a bank can assume. BIDCOs can assume this greater level of risk by virtue of the fact that, unlike banks, they will be providing managerial assistance in tandem with financing. Thus, the relationship between a BIDCO and its loan customers will be more in the nature of a partnership and if the business enterprise is successful, both parties benefit. If the business fails, both parties lose, since unlike bank financing, a BIDCO's loans and investments, in many cases, will not be fully collateralized. The BIDCO thus has a strong incentive to ensure that its investments are successful. This is quite evident in the case of loans with equity features, where the more successful the company is, the higher the rate of return will be.

While banks are able to concentrate on low-risk, low-return financing, venture capitalists are positioned to provide equity financing on what could be characterized as the high-risk, high-return part of the business financing market. These concerns focus on key industries which can often produce 40% - 50% annualized rates of return in a relatively short period of time. While venture capitalists play a critical role in Michigan's economy, they are in a position to finance only a small percentage of companies.

There is, thus, a significant gap between the low-risk, low-return financing from banks and the high-risk, high-return financing provided by venture capitalists. BIDCOs are well-positioned to meet the needs of companies that fall within this financing gap. In addition, it is anticipated that small business lending will be a major focus of BIDCOs. As banks are moving toward broader merger and branching authority including interstate banking, there is a greater need in the Michigan economy for financial institutions specializing in small business lending. Small businesses, including start up and emerging growth companies, are an important source of this state's employment growth. BIDCOs, with their menu of financing and managerial assistance, will help to increase the supply of capital to small business and thus help in the revitalization and diversification of the state's economy.

It is anticipated that this legislation will be enacted early in 1986.

Mortgage Company Licensure

The Bureau drafted legislation to require the licensing and regulation of certain mortgage companies in connection with their first mortgage lending business. The bill would exempt banks, savings and loan associations, credit unions, or any mortgage lender that is approved by the Government National Mortgage Association to issue mortgage-backed securities and that sells securities only to large, institutional investors.

Enactment of this legislation would help to plug a loophole which was created by the passage of the federal Depository Institutions Deregulation and Monetary Control Act of 1980 (DIDMCA). Although the legislation could not override DIDMCA's removal of interest rate ceilings on first mortgage loans, it would override DIDMCA's elimination of the restrictions governing points assessed in connection with the making by mortgage companies of first lien mortgages. The bill would limit the charges that a mortgage company could assess to a specific laundry list of reasonable and necessary charges and would limit loan processing fees to 2% of the principal amount financed or $200, whichever is less. In this way, the legislation could help to prevent abuses such as excessive finders fees and other up front charges (in some cases, as much as 40%) assessed by some mortgage companies. The legislation would require each licensee to furnish a surety bond (or deposit securities with the State Treasurer) to secure the faithful performance of the legal obligations of the licensee.

The Bureau worked closely with the Department of Attorney General, the Corporation and Securities Bureau, and the Department of Licensing and Regulation in drafting the legislation.

Regulation of Escrow Accounts

Abuses have occurred in the handling of escrow accounts maintained in conjunction with first and wraparound mortgages. In some cases, consumers have made all the required escrow payments but the taxes and insurance premiums were not paid since escrow monies were used for other purposes. A second area of controversy surrounding escrow accounts is that, beginning in the mid-1970s, as market interest rates moved higher, there were numerous consumer complaints involving the dollar amounts paid into escrow accounts. Consumers contended that some lenders required borrowers to make payments into escrow accounts well in excess of the amounts needed to meet the tax and insurance obligations. At the same time, borrowers earned no interest on the amounts paid into escrow accounts. In the last ten years, several bills were introduced to specifically limit the amounts that lenders could require borrowers to pay into escrow accounts and to require lenders to pay interest on the funds maintained in escrow accounts. Lenders (banks, mortgage companies, and savings and loan associations) have vigorously opposed these bills and, to date, none of the bills have been reported out of committee.

The Bureau has been working on draft legislation to regulate mortgage escrow accounts. The proposal would prescribe, for all mortgage lenders requiring escrow accounts, limits on the amounts which they could require borrowers to pay into escrow accounts. It would require each non-depository lender holding escrow accounts to register with the Commissioner and to furnish a surety bond to secure faithful performance of the obligations of the lender in connection with the payment from an escrow account of taxes or insurance premiums. Finally, the proposal would require lenders holding escrow accounts to pay interest on escrow balances.

Savings Banks

The Bureau is currently involved in drafting amendments to the Savings and Loan Act of 1980 which would allow for the establishment of state-chartered savings banks. This proposal is an attempt to help maintain a system of specialized state-chartered housing lenders in Michigan. The legislation would allow for the chartering of mutual or stock savings banks and for converting savings and loan associations to state-chartered savings banks. These state-chartered savings banks would be eligible for FDIC deposit insurance, which generally is less costly than FSLIC insurance for savings and loan associations.

The amendments also would expand the powers of both savings and loan associations and savings banks in the areas of investment and leasing activities. It would allow these institutions to increase the amount of non-real estate loans that may be made as a percentage of total assets, ease the merger provisions, and strengthen the cease and desist powers of the Commissioner of the Bureau. In addition, these amendments would expand the service corporation activities authorized under the act to include most of those activities currently authorized for federal associations.

Omnibus Legislation — Licensing of Consumer Financial Service Companies

The Bureau drafted an Omnibus Licensing proposal under which a company could obtain a license authorizing it to engage in up to six financial service activities (that require separate licenses). The legislation would authorize a licensee to engage in any or all of the activities authorized under the following licensing statutes: Regulatory Loan Act of 1963, Secondary Mortgage Act, Sale of Checks Act, Motor Vehicle Sales Finance Act (activities of a sales finance company only), Mortgage Company Act (to be introduced), and the recently enacted Credit Card Licensing Act. In addition, the proposal would authorize a licensee to offer safe deposit services and to purchase home improvement and retail installment sales contracts (entered into under the Home Improvement Finance Act and the Retail Installment Sales Act, respectively). The proposal would also permit the Commissioner to authorize licensees to engage in other activities which do not facilitate an evasion of the act or of any other state or federal law. Other activities might include check cashing and tax services. The proposal would prohibit licensees from engaging in debt management, real estate brokerage, and pawnbroking.

The Omnibus Licensing idea is viewed as one way to restore needed financial services in older urban neighborhoods that, in recent years, have suffered the loss of banking and other financial services. Depository financial institutions which were, until recently, barred from paying interest on checking accounts, chose to compete for funds by establishing branches in order to increase locational convenience for consumers, by offering checking account services free or priced below cost, or by "paying interest" by other indirect means.

With the deregulation of deposit interest rate ceilings, institutions were authorized to pay cash interest on checking accounts. This authority to compete directly for funds proved costly for institutions already saddled with costly branches. In response to the increase in the cost of their funds, some institutions have begun closing unprofitable branches, particularly those located in older urban neighborhoods.

Omnibus legislation is seen as a way of encouraging companies to obtain licenses to offer much-needed financial services to consumers living in areas which have experienced the loss of financial services. Not only could licensees under the omnibus proposal provide various types of consumer credit, but they could offer safe deposit services and sell money orders on which many consumers in older urban neighborhoods would be expected to rely heavily.

In order to more fully examine the idea and to explore alternatives, Commissioner Kuthy appointed the Omnibus Licensing Advisory Committee. Members serving on the Committee include representatives of the Bureau, organized labor, the Michigan Consumers Council, and the regulatory loan, secondary mortgage, banking, and savings and loan industries. The first meeting of the Committee was held on February 13, 1986, at Comerica Bank in Detroit.

Sale of Checks Act Modernization

The Sale of Checks Advisory Committee, which reviewed the provisions of the Sale of Checks Act, issued the final report in December of 1984. This final report recommended significant changes to the Act, including a provision for expanded reporting requirements for licensees, increased net worth and bonding requirements, and certain consumer protections and disclosures.

These recommendations were embodied in House Bill 5111, which was introduced on October 23, 1985, and referred to the Committee on Corporations and Finance. This bill was subsequently reported to the Subcommittee on Mortgage and Money Order Regulation. The Bureau supports efforts to strengthen the provisions of the Sale of Checks Act and passage of such legislation will remain a priority for the Bureau during 1986.

Money Laundering Activities

In recent months, several large banks have violated the Bank Secrecy Act by not making the required currency transaction reports which identify large cash transactions. It is possible that some of these banks might unwittingly have been assisting in the laundering of large amounts of cash from illegal activities such as drug trafficking, prostitution or gambling.

In response to this situation, the Bureau has been analyzing the role of existing regulatory and enforcement agencies in the detection and prevention of money laundering. To this end, the Bureau met with representatives of the U.S. Treasury, the Comptroller of the Currency, the Chicago Federal Reserve Bank, the Conference of State Bank Supervisors, the Michigan Department of Treasury and the Michigan Department of Attorney General on August 14, 1985. The purpose of the meeting was to discuss the current procedures for enforcement, perceived weaknesses in the present system and the appropriate role for the state and local officials in dealing with the money laundering issue.

It is the intent of the Bureau to develop and introduce legislation during 1986 which would provide for a statewide currency transaction reporting system in Michigan. This system, which parallels the federal requirements, would collect large currency transaction information from Michigan financial institutions and make it available to the Department of Treasury, the Department of Attorney General and local law enforcement agencies. A similar program established in Georgia in 1982 has been successful in combating the flow of laundered money from such illegal activities as drug smuggling, prostitution, gambling and tax evasion.

Summaries of Bureau Interpretive Statements*

The Bureau issued three interpretive statements during the course of 1985. The first dealt with the issue of using the authority to charge up to 16.5% on a motor vehicle installment loan under Section 718 of the Savings and Loan Act of 1980. Depository financial institutions now relying on the Savings and Loan Act of 1980 to charge that rate of interest were concerned about noninterest provisions of the act relating to such loans. This clarification was issued as a result of the enactment of Public Act No. 359 of 1984 which authorized a savings and loan association to charge a rate of interest of up to 16.5% per year on the unpaid balance of an installment loan for the purchase of a motor vehicle. Concurrent with the signing of this legislation, the authority in the Credit Union Act to charge a rate of interest on the unpaid balance of up to 16.5% per year expired.

The second interpretive statement, by the Bureau on August 16, 1985, advised lenders and contractors of the changing maximum finance charge authorized under the Home Improvement Finance Act. Due to a two-tiered rate ceiling structure tied to the weekly auction rates on 26 week U.S. treasury bills, the maximum finance charge allowed under the act dropped from 16.5% per annum on the unpaid balance to $8.00 per $100.00 financed per annum. The statement indicated that for contracts entered into on or after Tuesday, May 14, 1985, the lower rate ceiling was in effect until such time as the rate paid at two successive auctions of 26-week U.S. Treasury bills is 8% or more. At that time the rate ceiling would again be the equivalent of 16.5% interest per annum on the unpaid balance.

The third interpretive statement attempts to clarify Public Act No. 351 of 1984 as amended by Public Act 136 of 1985 which dealt with the enforcement of due-on-sale clauses on window period loans made by state-regulated lenders. Generally, this statute allows for the assumption of a window period loan at a blended fixed interest rate for a period of up to three years, provided the buyer or transferee meets the lending institution's customary credit standards and pays a loan processing fee. The bulletin also reviews the lender's rights to enforce a due-on-sale clause and further clarifies other provisions of the act.

*Full text reprinted in appendix.

Plans and Objectives for the Future

CSBS Accreditation

The Conference of State Bank Supervisors (CSBS) has developed an accreditation program for state bank supervisory agencies. The concept dates back to 1970, when the Conference began considering self-examination programs. In 1980, the Performance Standards Committee was established to develop a formal accreditation process. The goal of the program is to promote and recognize excellence in state regulation and lead to a reduction in federal regulatory and supervisory activity in state-chartered banks. The Bureau completed the self-examination step of the process consisting of an appraisal of the Bureau's finances, personnel, training, examinations, supervision, administration, and legislative programs. In September, the Bureau made a formal request to CSBS to commence their evaluation of the Bureau in preparation for accreditation. Thus far, the states of Illinois, Iowa, New York and Pennsylvania have completed the formal accreditation process.

Self-Funding Concept

The Bureau remains committed to a self-funding approach to fund most of its programs, with the exception of the mortgage anti-redlining program. In general, the approach provides that financial institutions be assessed fees which are sufficient to cover the total cost of their regulation and supervision. Self-funding legislation for banks and credit unions was enacted in December 1982. In addition, the Credit Card Licensing Act, which was enacted in December 1984, provides for the self-funding approach.

Legislation to implement self-funding of its regulatory programs for savings institutions and the various types of licensed providers of financial services (i.e. secondary mortgage and small loan lenders, sellers of money orders, and motor vehicle dealers and finance companies) remains a priority of the Bureau.

Economic Development Activities

The Bureau is examining several concepts as part of its overall economic development action plan. A minority business training program is currently being explored which would encourage the formation of minority-owned firms in the financial services industry. Besides promoting economic development through the growth of new firms, this effort will also attempt to replace lost financial services in economically disadvantaged areas.

The Bureau is working on a program to promote Detroit as a major regional financial center in the midwest. This concept envisions the emergence of one or more regional money center banks in Detroit, the expansion of foreign banking and international trade in the area and the location of other major financial industry organizations in the Detroit metropolitan area.

The Bureau will continue to have a role in the farm lending program which provides below-market interest rate agricultural loans to qualified farmers. The program will be operative until October 1987 unless it is extended by the Legislature. The Bureau will play a major role in this program as long as it is in existence.

Interstate Examination Process/Agreements

On December 5, 1985, the Governor signed legislation (P.A. 177) to provide for regional, reciprocal interstate banking. Several other states in the midwest have enacted similar legislation. These states were invited by the Bureau to attend a 2-day meeting in early January, 1986 to discuss the implementation of these new laws. Commissioners, senior staff members and legal counsels from Michigan, Ohio, Indiana and Illinois were in attendance. The issue of reciprocity was the major topic of discussion, and it was agreed that, even though the laws were different, that unless challenged by the courts, they were, in large measure, reciprocal. Methods of coordination and processing of examinations were also discussed.

The second day of the conference brought representatives from the regional offices of the Federal Reserve Board, the Federal Deposit Insurance Corporation and the Comptroller of the Currency. The federal regulators were invited to learn more about each state's new law and to hear what mechanisms would be put in place for coordinating examinations conducted under the new statutes.

Ohio's interstate banking legislation took effect October 17, 1985, Indiana's new provisions took effect on January 1, 1986, and Illinois' legislation will become effective on July 1, 1986.

More meetings of this type will be held in the future.

OFFICE OF REGULATION

GARY K. MIELOCK
Deputy Commissioner

BANK AND TRUST DIVISION

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Examiners:

Region I Detroit	John Schumacher *(Regional Supervisor)*, Walter Baier, James Brown II, Joanne Brown, Duane Gaunt, Donald Hermann, Michael Lesiak, William Pilkington, Marianne Schmidt, Chris Werwega, Joanne West
Region II Lansing	Ralph Morr *(Regional Supervisor)*, Karen Ammarman, Michael Anderson, Robert Caruso, Patrick Holleran, Charles Lentz, Curtis McMillin, Donald Priestley, Gary Thielsen
Region III Grand Rapids	Irwin Van Noord *(Regional Supervisor)*, Robert Alexander, Thomas Curtiss, Gordon Freeman, Carol Gorton, Karl Johnson, Charlie Kohler, Donald Pickel, Sheila Vigh
Region IV Northern	Dale Fockler *(Regional Supervisor)*, Tina Ballard, Tom Battle, Kathleen Billmeier, Thomas Fillman, Michael Friedrich, James Frost, Kathleen LaChapelle, Lonnie Lint, James McMullen
Region V Upper Peninsula	Gary Groves *(Regional Supervisor)*, John Lyle, David Theoret, Larry Wuokko

CORPORATE DIVISION

DARWYN SANBORN, *Director;* Steven Cutshaw, *Bank Holding Company Analyst;* Sandra Slee, *Foreign Bank Analyst;* Linda Whitford, *Research Analyst*

CREDIT UNION DIVISION

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Region 2 Detroit	Robert Andrews *(Regional Supervisor)*, Kathleen Blair, Delores Thomas Bledsoe, Alice Censier, Richard Lowe, Wanda Marshall, Ronald Miller
Region 3 Detroit	Alan Peterson *(Regional Supervisor)*, Stanley Kossakowski, Anna Narsisian Lowe, David Rogers, Suzanne Santoro, Michele Schweitzer, Donald Walters

SAVINGS AND LOAN DIVISION

DARWYN SANBORN, *Director*

Examiners:	Allan Huber, Leigh Scherzer

CORPORATE DIVISION

During October 1985, the Corporate Division was established for the purpose of analyzing applications by bank holding companies, state-chartered banks, credit unions, foreign banks, and savings and loan associations. The division rules on applications regarding such corporate activities as new bank charters, consolidations, mergers, conversions, branch applications, foreign bank agencies, interstate acquisitions, trust services, and capital programs. To facilitate the division's operation, the following positions were created: division director, foreign bank analyst, bank holding company analyst, and research analyst.

The Corporate Division exercises a dual role, as it also carries the responsibility for the supervision of state-chartered savings and loans. However, the structure and personnel of the Savings and Loan Division were not altered but simply combined with the Corporate Division under the new heading.

BANK AND TRUST DIVISION

Michigan's state-chartered banks are regulated and supervised under the authority of Act No. 319 of the Public Acts of 1969 (the Michigan Banking Code of 1969, as amended), by the Bank and Trust Division. The major responsibility of the division is to ensure that each state-chartered bank is financially safe and sound. This is accomplished through the examination and supervision of Michigan's 241 state-chartered banks, which had total deposits of $34.4 billion as of December 31, 1985. The division also monitors the services that banks provide their customers, and makes recommendations to the Commissioner for decisions on applications for new bank charters, branches and other corporate changes.

Examinations

The examination of state-chartered banks is the primary means by which the division supervises the industry. During an examination, examiners gather data and analyze certain key factors to determine the bank's capital adequacy, asset quality, earnings sufficiency, liquidity position, management capabilities, and extent of compliance with banking laws and regulations. Written policies established by the Board of Directors, and management's adherence to these policies, are also reviewed. All examinations, whether conducted concurrently with the federal bank regulatory agencies or performed independently on a limited or full scope basis, are sufficient to generate a CAMEL rating. Refer to the accompanying table for a summary of Michigan state-chartered banks by CAMEL rating. During 1985, the division conducted a total of 196 examinations. The Federal Reserve Bank of Chicago and the Federal Deposit Insurance Corporation conducted examinations of 42 CAMEL 1 and 2 rated banks, and all agencies participated in the examination of CAMEL 3 and 4 rated banks. During 1985, only 3 state-chartered banks were not examined by any of the bank regulatory agencies, compared to 14 banks not examined in 1984.

New Programs

During 1985 the division made additional refinements in its examination procedures. These refinements included the expansion of the program for examining multi-bank holding companies and the improvement of procedures for off-site limited scope examinations. The division participated with the Federal Reserve Bank of Chicago, the Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation in the joint examination of nine of the largest bank holding companies in Michigan. These companies had total deposits of $43.5 billion, or 76% of all of Michigan's banking deposits, and controlled 135 affiliate banks. This method of joint examination permits the division to utilize its resources in an efficient manner, while at the same time determining, in a large part, the overall condition of Michigan's banking industry. The off-site/on-site limited scope examination program, which was initially implemented in 1984, is restricted to historically well managed banks. The division conducted 28 of these examinations in 1985 and expects to expand this program.

Bank Supervision

Despite the economic difficulties of the past, Michigan has maintained a highly competitive and financially sound state-chartered financial industry. In 1985 Michigan did not experience a single bank failure, while in the rest of the U.S., 120 banks failed. As of December 31, 1985, the Bureau had 35 banks on its problem list. This list is not static; most banks do not remain on the problem list for extended periods of time. During 1985, ten banks were added to the list and eight were removed. Difficulties in the newly designated problem banks included low quality assets, poor earnings, inadequate capital and management unable to cope with changing market conditions. The Bank & Trust Division, in its efforts to alleviate weaknesses found in problem banks, conducted numerous board meetings and follow-up visitations, issued several Memoranda of Understanding, and issued two consent Cease and Desist Orders in 1985. The table below provides information on problem banks over the past five years.

	Total Banks Supervised	Problems Removed	Problems Identified	Current Problems
1981	250	6	10	27
1982	251	7	9	29
1983	248	8	5	26
1984	248	4	11	33
1985	241	8	10	35

Structural Changes

In 1985, two new banks were established, six banks consolidated with other banks, and three banks were converted to a federal savings bank. At the end of 1985 there were 241 state banks, while at the end of 1984 there were 248. The number of state bank branch offices decreased from 1,142 at the end of 1984 to 1,137 at the end of 1985.

Bank Bulletins

In May of 1985, Bank Bulletin #15 (which was initially issued in March of 1977) was rescinded and replaced by a new Bulletin #15, which sets forth the examination policies of the division. Bank Bulletin #31 was issued by the division in December of 1985 to establish the maximum amount of credit a bank may extend to its executive officer(s) as stipulated in section 211 of the Michigan Banking Code of 1969, as amended.

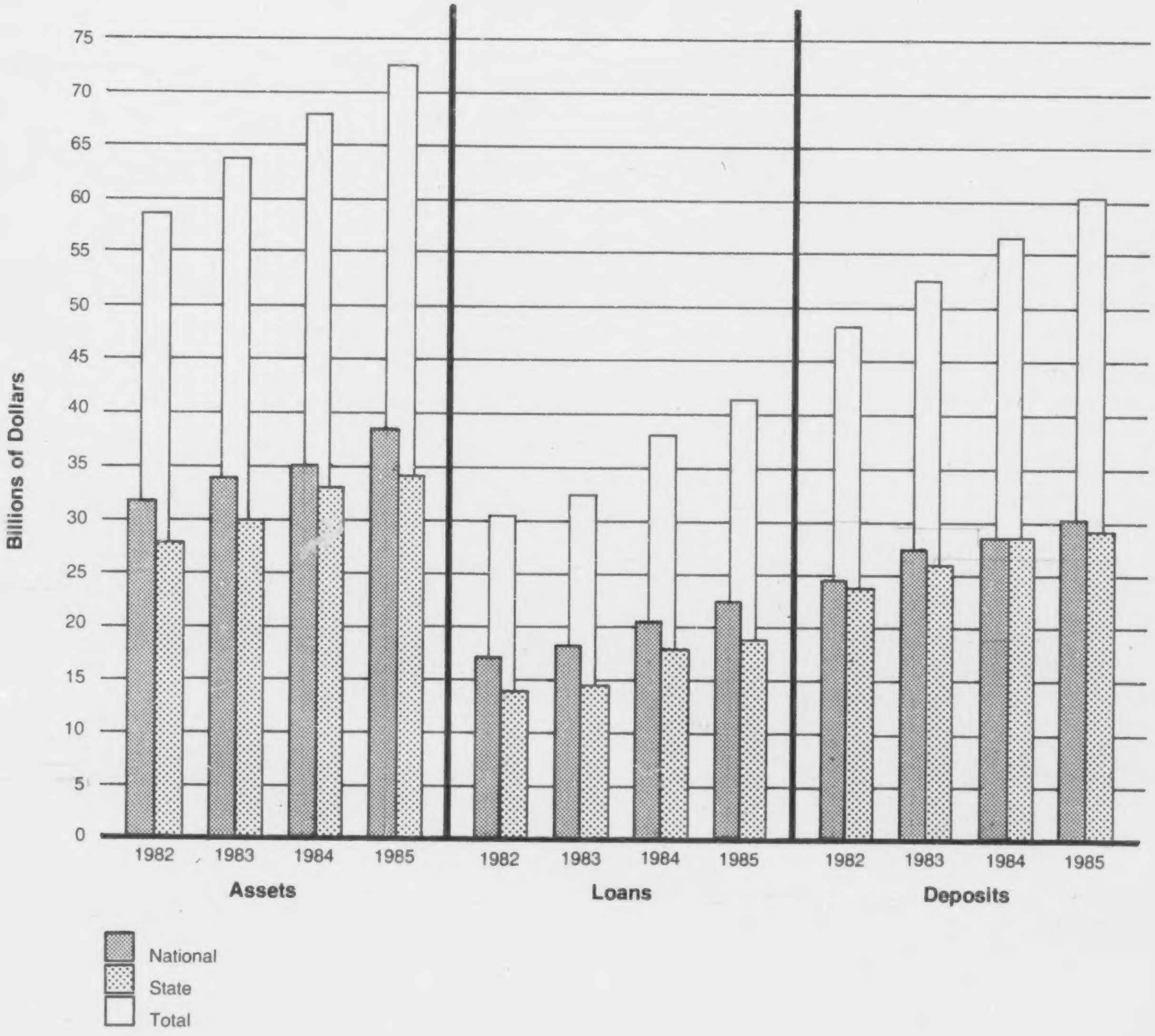
Holding Companies

As of December 31, 1985, 59 bank holding companies controlled 142 state-chartered banks and 89 national banks. Singlebank holding companies controlled 24 state-chartered banks and 12 national banks, while multi-bank holding companies controlled 118 state-chartered banks and 77 national banks. Total deposits of banks controlled by bank holding companies as of December 31, 1985, were $53.1 billion (or 88.3%) of the $60.1 billion total deposits held by all banks (state and national) in Michigan. The following table provides comparative data for Michigan's bank holding companies:

	1980	1981	1982	1983	1984	1985
Bank Holding Companies (BHCs)....	38	38	40	49	55	59
BHC Banks......................	182	199	208	219	228	231
BHC State Banks................	106	118	124	134	143	142
BHC National Banks.............	76	81	84	85	85	89
Single BHCs....................	14	18	19	26	30	36
Single BHC State Banks..	10	13	12	18	20	24
Single BHC National Banks........	4	5	7	8	10	12
Multi-BHC......................	24	20	21	23	25	23
Multi-BHC State Banks...........	96	105	112	116	123	118
Multi-BHC National Banks.........	72	76	77	77	75	77
BHC Deposits*..................	33.2	27.5	39.7	44.3	48.4	53.1
Total Bank Deposits*............	43.4	46.1	48.2	52.5	56.0	60.1
BHC Deposits- % of Total Bank Deposits......................	76.5%	81.3%	82.4%	84.4%	86.4%	88.3%

*Billions of Dollars

COMPARATIVE CHART OF ASSETS, LOANS AND DEPOSITS OF STATE AND NATIONAL BANKS IN MICHIGAN



CONSOLIDATED BALANCE SHEET OF STATE BANKS

(000's Omitted)

		241 Banks 1,140 Branches December 31, 1985
ASSETS		
Cash and balances due from depository institutions		$5,009,197
Noninterest-bearing balances and currency and coin	$1,802,299	
Interest-bearing balances	3,206,898	
Securities		8,055,868
Federal funds sold and securities purchased under agreements to resell		1,237,524
Total loans and leases (excluding unearned income)	$19,166,077	
Less: Allowance for loan and lease losses	227,084	
Net loans and leases		18,938,983
Assets held in trading accounts		31,793
Premises and fixed assets (including capitalized leases)		493,858
Other real estate owned		87,944
Investments in unconsolidated subsidaries and associated companies		650
Customers' liability to banks on acceptances outstanding		42,708
Intangible assets		4,050
Other assets		539,935
TOTAL ASSETS		$34,442,510
LIABILITIES		
Total deposits		* $29,714,534
Noninterest-bearing	$4,725,927	
Interest-bearing	24,988,607	
Federal funds purchased and securities sold under agreements to repurchase		1,656,892
Demand notes issued to the U. S. Treasury		181,438
Other borrowed money		60,390
Mortgage indebtedness and obligations under capitalized leases		16,072
Bank's liability on acceptances executed and outstanding		42,711
Notes and debentures subordinated to deposits		93,134
Other liabilities		414,034
TOTAL LIABILITIES		$32,179,205
EQUITY CAPITAL		
Perpetual preferred stock		$ 2,852
Common stock		375,683
Surplus		917,104
Undivided profits and capital reserves		967,666
TOTAL EQUITY CAPITAL		$ 2,263,305
TOTAL LIABILITIES AND EQUITY CAPITAL		$34,442,510

*Includes deposits of State money - Michigan .... $ 111,328

LOANS HELD BY STATE BANKS

(000's Omitted)

	December 31, 1985
Real estate loans:	
Construction and land development	$ 318,945
Secured by farmland (including farm residential and other improvements)	171,778
Secured by 1-4 family residential properties	4,702,368
Secured by multifamily (5 or more) residential properties	121,086
Secured by nonfarm nonresidential properties	1,558,252
Loans to depository institutions	289,077
Loans to finance agricultural production and other loans to farmers	415,019
Commercial and industrial loans	5,453,865
Acceptances of other banks	131,563
Loans to individuals for household, family, and other personal expenditures (includes purchased paper):	
Credit cards and related plans (includes check credit and other revolving credit plans)	994,247
Other (includes single payment and installment)	3,978,137
Obligations (other than securities) of states and political subdivisions in the U.S.	606,126
All other loans	556,430
Lease financing receivables (net of unearned income)	38,253
Gross loans and leases	$19,335,146
Less: Unearned income on loans reflected in items above	169,069
TOTAL LOANS AND LEASES (net of unearned income)	$19,166,077

SELECTED FINANCIAL RATIOS - 1985

No.	Category	Return On Average Assets	Total Loans/ Total Assets	Consumer Loans/ Total Loans	Commercial Loans/ Total Loans	Mortgage Loans/ Total Loans	Interest Bearing Deposits/ Total Deposits	IRA Keogh Accounts/ Total Deposits
241	State Banks	1.04%	55.69%	25.94%	30.62%	35.86%	84.13%	4.76%
119	National Banks	.96	57.40	17.64	39.85	27.90	77.13	4.69
129	Independent Banks	1.21	54.22	23.09	24.03	46.00	85.97	3.94
231	Holding Co. Banks/	.90	56.80	21.22	35.80	29.53	79.80	4.80
360	Michigan Banks	1.00	56.59	21.42	35.39	30.75	80.59	4.73

CONSOLIDATED STATEMENT OF OPERATIONS AND CAPITAL OF STATE BANKS

(000's Omitted)

SOURCES AND DISPOSITION OF INCOME	1985
Interest Income:	
Interest and fee income on loans	$2,158,765
Interest from lease financing receivables	4,072
Interest income on balances due from depository institutions	338,332
Interest and dividend income on securities	670,227
Interest income from assets held in trading accounts	1,822
Interest income on federal funds sold and securities purchased under agreements to resell	88,965
Total interest income	$3,262,183
Interest Expenses:	
Interest on deposits	$1,892,819
Expense of federal funds purchased and securities under agreements to repurchase	125,455
Interest on demand notes issued to the U. S. Treasury and on other borrowed money	11,662
Interest on mortgage indebtedness and obligations under capitalized leases	1,783
Interest on notes and debentures subordinated to deposits	6,066
Total interest expense	$2,037,785
Net interest income	$1,224,398
LESS: Provision for loan and lease losses	140,889
Noninterest income	273,845
Gains (losses) on securities not held in trading accounts	5,090
Noninterest Expenses:	
Salaries and employee benefits	$ 486,843
Expenses of premises and fixed assets (net of rental income) (excluding salaries and employee benefits and mortgage interest)	146,667
Other noninterest expense	375,329
Total noninterest expense	$1,008,839
Income (loss) before income taxes and extraordinary items and other adjustments	$ 353,606
LESS: Applicable income taxes	71,212
Income (loss) before extraordinary items and other adjustments	$ 282,394
Extraordinary items (net of taxes)	16,962
Net income	$ 299,356

CHANGES IN EQUITY CAPITAL

Balance end of previous year	$2,100,678
Adjustments	(233)
Adjusted balance end of previous year	$2,100,445
Net income (loss)	299,356
Sale, conversion, acquisition, or retirement of capital, net	5,284
Changes incident to mergers and absorptions, net	4,257
LESS: Cash dividends declared on common stock	(155,086)
LESS: Cash dividends declared on preferred stock	(117)
Other increases (decreases)	9,166
Balance end of period	$2,263,305

CONSOLIDATED BALANCE SHEET OF NATIONAL BANKS

(000's Omitted)

ASSETS

		119 Banks December 31, 1985
Cash and balances due from depository institutions		$ 5,920,777
Noninterest-bearing balances and currency and coin	$ 3,138,241	
Interest-bearing balances	2,782,536	
Securities		7,189,919
Federal funds sold and securities purchased under agreements to resell		1,843,628
Total loans and leases (excluding unearned income)	$22,005,022	
Less: Allowance for loan and lease losses	279,576	
Net loans and leases		21,725,446
Assets held in trading accounts		197,688
Premises and fixed assets (including capitalized leases)		455,011
Other real estate owned		95,336
Investments in unconsolidated subsidiaries and associated companies		14,879
Customers' liability on acceptances executed and outstanding		295,382
Intangible assets		7,049
Other assets		594,258
TOTAL ASSETS		$38,339,373

LIABILITIES

Total deposits		$30,386,355
Noninterest-bearing	$ 6,948,435	
Interest-bearing	23,437,920	
Federal funds purchased and securities sold under agreements to repurchase		3,617,186
Demand notes issued to the U. S. Treasury		573,287
Other borrowed money		314,351
Mortgage indebtedness and obligations under capitalized leases		33,963
Bank's liability on acceptances executed and outstanding		325,807
Notes and debentures subordinated to deposits		141,461
Other liabilities		660,723
TOTAL LIABILITIES		$36,053,133

EQUITY CAPITAL

Perpetual preferred stock	$ 720
Common stock	359,560
Surplus	670,142
Undivided profits and capital reserves	1,255,818
TOTAL EQUITY CAPITAL	$2,286,240
TOTAL LIABILITIES AND EQUITY CAPITAL	$38,339,373

STATE BANKS

	1981	1982	1983	1984	1985
Number of State Banks - January 1	250	250	251	248	248
Plus: Charters Granted	2	2	1	2	2
Conversions - National to State	2	2	1	1	0
Less: Mergers/Consolidations	2	2	5	2	6
Receiverships/Liquidations	0	1	0	1	0
Conversions - State to National	2	0	0	0	0
Conversions to Savings Banks	0	0	0	0	3
Number of State Banks - December 31	250	251	248	248	241
Number of State Bank Branches	1,138	1,158	1,140	1,142	1,137

NATIONAL BANKS AND BRANCHES

	1981	1982	1983	1984	1985
National Banks	126	125	124	119	119
Branches of National Banks	997	1,009	981	972	934

NUMBER OF BANKS CHARTERED PER YEAR

	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
State Banks Affiliated with Bank Holding Companies	5	1	0	6	2	1	1	1	1	1
National Banks Affiliated with Bank Holding Companies	3	1	4	1	3	1	1	0	1	1
State Banks Not Affiliated with Bank Holding Companies	0	0	1	2	1	1	1	0	1	1
National Banks Not Affiliated with Bank Holding Companies	0	3	0	1	1	1	1	1	0	0

NOTE: All national bank data obtained from the Office of the Comptroller of the Currency.

CONVERSIONS

	1981	1982	1983	1984	1985
State to National	2	0	0	0	0
National to State	2	2	1	1	0

NEW BANKS

Date Effective	Name of Bank	Location	Initial Capital Stock
Dec. 16, 85	*Chemical Bank West	Cadillac	Commenced business with common capital stock of $100,000 divided into 10,000 shares with a par value of $10 each.
Jan. 11, 85	Republic Bank	Flint Township	Commenced business with common capital stock of $875,000 divided into 87,500 shares with a par value of $10 each.

*Bank immediately consolidated with Chemical Bank Lake City upon opening date.

RELOCATION OF MAIN OFFICE

Date Effective	Name of Bank	From	To
April 22, 85	NBD Portage Bank	6400 South Westnedge Avenue City of Portage, Kalamazoo County	626 Romence Road, Unit #3 City of Portage, Kalamazoo County

CONVERSION FROM STATE-CHARTERED BANK TO A FEDERAL STOCK SAVINGS BANK AND MERGING OF TWO BANKS INTO THE SAVINGS BANK

Date Effective	Details	City
Dec. 31, 85	Northern Michigan Bank . . . . Converted to a federal stock savings bank under the name of Northern Michigan Savings Bank. Northern Michigan Bank of Kingsford, Kingsford, Michigan, and Northern Michigan Bank of Marquette, Marquette, Michigan; both merged into Northern Michigan Savings Bank. All offices of these institutions will be operated by Northern Michigan Savings Bank.	Escanaba

CONSOLIDATIONS

Date Effective	Name of Bank	City
July 1, 85	FMB-First Michigan Bank-Grand Rapids . . . . Consolidated with and into FMB-First Michigan Bank-Metro, National Association, Walker, Michigan, under the charter of FMB-First Michigan Bank-Metro, National Association, and under the name of FMB-First Michigan Bank-Grand Rapids, National Association.	Grand Rapids
May 20, 85	Western State Bank . . . . Consolidated with and into Independent Bank-West Michigan, Rockford, Michigan, under the charter and name of Independent Bank-West Michigan.	Howard City
May 20, 85	NBD Northwest Bank . . . . Consolidated with and into NBD Northwest Bank, National Association, Traverse City, Michigan, under the charter and name of NBD Northwest Bank, National Association.	Kalkaska

CONSOLIDATIONS - Cont.

Date Effective	Name of Bank	City
Dec. 16, 85	Chemical Bank Lake City Consolidated with and into Chemical Bank West, Cadillac, Michigan, under the charter and name of Chemical Bank West.	Lake City
May 20, 85	First State Bank of Newaygo Consolidated with and into Independent Bank-West Michigan, Rockford, Michigan, under the charter and name of Independent Bank-West Michigan.	Newaygo
July 22, 85	Independent Bank South Michigan Consolidated with and into The Peoples Bank of Leslie, Leslie, Michigan, under the charter of The Peoples Bank of Leslie and under the name of Independent Bank South Michigan.	Olivet

FOREIGN BANK STATE AGENCY

Date Effective	Name of Bank	Location	Location of Agency
Sept. 16, 85	Lloyds Bank Plc	London, England	100 Renaissance Center, Suite 2070 City of Detroit, Wayne County

BRANCH APPLICATIONS

	1981	1982	1983	1984	1985
Applications Received					
State Banks	30	14	10	12	15
National Banks	21	11	7	9	5
Branches Approved					
State Banks	31	15	11	12	14
National Banks	30	17	5	4	9
Branches Denied					
State Banks	0	1	0	0	0
National Banks	0	0	0	0	0
Branches Established					
State Banks	60*	35*	59*	17*	21*
National Banks	26	23	9	5	6

*Totals include branch openings through consolidations and purchase and assumptions.
National bank data was obtained from the Office of the Comptroller of the Currency.

BRANCH OFFICES ESTABLISHED

Date Effective	Name of Bank	City-Main Office	Location of Branch Office
Dec. 16, 85	Chemical Bank West	Cadillac	[1]1408 North Mitchell Street City of Cadillac, Wexford County
Dec. 16, 85	Chemical Bank West	Cadillac	[1]101 North Roland City of McBain, Missaukee County
Dec. 16, 85	Chemical Bank West	Cadillac	[2]127 Main Street City of Lake City, Missaukee County
March 28, 85	Chemical Bank Cass City	Cass City	[3]2592 South Van Dyke Mariette Township, Sanilac County
Feb. 11, 85	Dearborn Bank and Trust Company	Dearborn	13550 Ford Road City of Dearborn, Wayne County
June 24, 85	Northwestern State Bank	East Jordan	225 State Highway M-88 Kearney Township, Antrim County
Oct. 21, 85	Genesee Merchants Bank & Trust Co.	Flint	G-2413 South Linden Road Flint Township, Genesee County
Sept. 28, 85	Erie State Bank	Frenchtown Township	990 South Telegraph Road Monroe Township, Monroe County
Aug. 21, 85	Chemical Bank North	Grayling	1151 West Houghton Lake Drive Denton Township, Roscommon County
Dec. 4, 85	Farmers and Merchants State Bank of Hale	Hale	17 East M-55 Baldwin Township, Iosco County
Sept. 17, 85	Bank of Lakeview	Lakeview	169-4 West Wheatland, (Remus), Wheatland Township, Mecosta County
July 22, 85	Independent Bank-South Michigan	Leslie	[4]112 South Main Street City of Olivet, Eaton County
Oct. 21, 85	Citizens State Savings Bank	New Baltimore	47011 Sugarbush Road Chesterfield Township, Macomb County
June 1, 85	Pontiac State Bank	Pontiac	1111 Round Lake Road White Lake Township, Oakland County
May 20, 85	Independent Bank-West Michigan	Rockford	[5]40 State Road City of Newaygo, Newaygo County
May 20, 85	Independent Bank-West Michigan	Rockford	[6]205 Edgerton Street Village of Howard City, Montcalm County
May 20, 85	Independent Bank-West Michigan	Rockford	[7]6027 Croton-Hardy Drive, (Croton Dam) Croton Township, Newaygo County
May 20, 85	Independent Bank-West Michigan	Rockford	[7]4115 17 Mile Road Solon Township, Kent County
May 20, 85	Independent Bank-West Michigan	Rockford	[7]5 South Third Street Village of Sand Lake, Kent County
May 20, 85	Independent Bank-West Michigan	Rockford	[7]9700 Greenville Road Cato Township, Montcalm County
Nov. 1, 85	State Bank of Standish	Standish	3150 East Huron Sims Township, Arenac County
May 10, 85	Warren Bank	Warren	4600 Fourteen Mile Road City of Warren, Macomb County

1 Former branch office of Chemical Bank Lake City, Lake City
2 Former main office of Chemical Bank Lake City, Lake City
3 Former branch office of The Peoples State Bank of Caro, Michigan, Caro
4 Former main office of Indpendent Bank-South Michigan, Olivet
5 Former main office of The First State Bank of Newaygo, Newaygo
6 Former main office of Western State Bank, Howard City
7 Former branch office of Western State Bank, Howard City

BRANCH OFFICES CLOSED

Date Effective	Name of Bank	City-Main Office	Location of Branch Office
April 30, 85	Akron State Bank	Akron	9029 West Bay City-Forestville Road Wisner Township, Tuscola County
Oct. 11, 85	NBD Alpena Bank	Alpena	710 Miller Street City of Alpena, Alpena County
March 1, 85	First of America Bank-Ann Arbor	Ann Arbor	777 Eisenhower Parkway City of Ann Arbor, Washtenaw County
June 14, 85	Manufacturers Bank of Bay City	Bay City	5610 Gratiot Street Saginaw Township, Saginaw County
Feb. 2, 85	Michigan Bank-Livingston	Brighton	3588 Avon Street Hartland Township, Livingston County
March 28, 85	The Peoples State Bank of Caro, Michigan	Caro	[1]2592 South Van Dyke Marlette Township, Sanilac County
April 12, 85	First of America Bank-Straits Area	Cheboygan	12972 South Straits Highway Village of Wolverine, Cheboygan County
Oct. 22, 85	Comerica Bank-Detroit	Detroit	1568 Washington Boulevard City of Detroit, Wayne County
Dec. 13, 85	Comerica Bank-Detroit	Detroit	3501 Michigan Avenue City of Detroit, Wayne County
Dec. 31, 85	Northern Michigan Bank	Escanaba	[2](Bark River) Delta County
Dec. 31, 85	Northern Michigan Bank	Escanaba	[2]Main Street and River Street (Rapid River), Delta County
Dec. 31, 85	Northern Michigan Bank	Escanaba	[2]301 North Lincoln Avenue City of Escanaba, Delta County
June 28, 85	Genesee Merchants Bank & Trust Co.	Flint	402 North Chevrolet Avenue City of Flint, Genesee County
May 20, 85	Western State Bank	Howard City	[3]6027 Croton-Hardy Drive, (Croton Dam) Croton Township, Newaygo County
May 20, 85	Western State Bank	Howard City	[3]4115 17 Mile Road Solon Township, Kent County
May 20, 85	Western State Bank	Howard City	[3]5 South Third Street Village of Sand Lake, Kent County
May 20, 85	Western State Bank	Howard City	[3]9700 Greenville Road Cato Township, Montcalm County
March 29, 85	NBD Northwest Bank	Kalkaska	[4]102 West Mile Road Village of Kalkaska, Kalkaska County
Dec. 16, 85	Chemical Bank Lake City	Lake City	[5]1408 North Mitchell Street Haring Township, Wexford County
Dec. 16, 85	Chemical Bank Lake City	Lake City	[5]101 North Roland City of McBain, Missaukee County
Jan. 25, 85	Comerica Bank-Midland	Midland	784 Poseyville Road Midland Township, Midland County
June 15, 85	Pontiac State Bank	Pontiac	315 North Telegraph Road Waterford Township, Oakland County

1 Re-established as a branch of Chemical Bank Cass City.
2 Bank converted to a federal stock savings bank.
3 Re-established as a branch office of Independent Bank-West Michigan, Rockford.
4 Re-established as a branch office of NBD Northwest Bank, N.A., Traverse City.
5 Re-established as a branch office of Chemical Bank West, Cadillac.

BRANCH OFFICES CLOSED - Cont.

Date Effective	Name of Bank	City-Main Office	Location of Branch Office
Nov. 29, 85	Clinton Bank and Trust Company	St. Johns	13051 South Wacousta Road, (Wacousta) Watertown Township, Clinton County
Nov. 29, 85	Clinton Bank and Trust Company	St. Johns	130 South Maple Street Village of Maple Rapids, Clinton County
June 28, 85	Comerica Bank-Southfield	Southfield	Northland Shopping Center, Building B-1 City of Southfield, Oakland County
Dec. 31, 85	Fidelity Bank of Troy	Troy	100 East Big Beaver Road City of Troy, Oakland County
April 30, 85	First of America Bank-Troy	Troy	3221 West Big Beaver Road City of Troy, Oakland County

EXTENSION OFFICES ESTABLISHED

Date Effective	Name of Bank	Location	Location of Extension Office
June 20, 85	G. W. Jones Exchange Bank	Marcellus	151 West Main Street Village of Marcellus, Cass County (Extension of main office located at 115 West Main Street, Village of Marcellus, Cass County.)

NEW CAPITAL

Name of Bank	City	Sale of New Stock	Subordinated Capital Notes
Akron State Bank	Akron	$ 262,500*	$ 525,000
Comerica Bank-Detroit	Detroit	3,333,330*	25,000,000
United Bank of Michigan	Grand Rapids	400,000	
Farmers and Merchants State Bank of Hale	Hale	51,345	
Kent City State Bank	Kent City	50,000	
Liberty Bank Oakland	Troy	200,000	

*Reserved for conversion of convertible capital notes.

CHANGE IN CORPORATE NAME

Date Effective	City	From	To
May 6, 85	Almont	The Almont Savings Bank	Old Kent Bank of Almont
Jan. 21, 85	Brighton	The Brighton State Bank	Old Kent Bank of Brighton
May 6, 85	Grand Blanc	Pacesetter Bank-Southeast	Old Kent Bank of Grand Blanc
March 19, 85	Greenville	Commercial State Savings Bank	Commercial Bank
March 16, 85	Hillsdale	Hillsdale State Savings Bank	Old Kent Bank of Hillsdale
May 6, 85	Owosso	Pacesetter Bank and Trust	Old Kent Bank-Central
June 1, 85	Oxford	Oxford Savings Bank	Oxford Bank

INSTITUTIONS AUTHORIZED TO EXERCISE TRUST POWERS
AS OF DECEMBER 31, 1985

Institutions authorized to exercise full trust powers in accordance with sections 181 through 186 of the Michigan banking code of 1969:

Bank of Alma	Alma
Alpena Savings Bank	Alpena
Citizens Trust	Ann Arbor
First of America Bank-Ann Arbor	Ann Arbor
Comerica Bank-Battle Creek	Battle Creek
Inter-City Bank	Benton Harbor
Old Kent Bank of Big Rapids	Big Rapids
*Farmers State Bank of Breckenridge	Breckenridge
NBD Cadillac Bank	Cadillac
First of America Bank-Upper Country	Calumet
Chemical Bank Clare	Clare
Branch County Bank	Coldwater
Dearborn Bank and Trust Company	Dearborn
Comerica Bank-Detroit	Detroit
*River Place Financial Corp.	Detroit
East Lansing State Bank	East Lansing
Michigan Bank-Huron	East Tawas
Citizens Commercial & Savings Bank	Flint
Genesee Merchants Bank & Trust Co.	Flint
NewCentury Bank	Frankenmuth
Old Kent Bank of Fremont	Fremont
The Old State Bank of Fremont	Fremont
Old Kent Bank of Grand Haven	Grand Haven
The Peoples Bank and Trust Company	Grand Haven
Old Kent Bank and Trust Company	Grand Rapids
Commercial Bank	Greenville
Liberty State Bank & Trust	Hamtramck
The Hastings City Bank	Hastings
The Peninsula Bank	Ishpeming
Comerica Bank-Kalamazoo	Kalamazoo
Bank of Lansing	Lansing
First of America Bank-Central	Lansing
Lapeer County Bank & Trust Co.	Lapeer
Ludington Bank and Trust Company	Ludington
Manistee Bank & Trust Co.	Manistee
Chemical Bank and Trust Company	Midland
Comerica Bank-Midland	Midland
Monroe Bank & Trust	Monroe
Security Bank of Monroe	Monroe
*Mount Clemens Bank	Mount Clemens
Isabella Bank and Trust	Mount Pleasant
First of America Bank-Muskegon	Muskegon
FMB-Lumberman's Bank	Muskegon
Old Kent Bank-Southwest	Niles
Old Kent Bank-Central	Owosso
Old Kent Bank of Petoskey	Petoskey
First of America Bank-Wayne Oakland	Royal Oak
The Commercial and Savings Bank of St. Clair County	St. Clair
Clinton Bank and Trust Company	St. Johns
State Savings Bank of Scottville	Scottville
Security Bank and Trust Company	Southgate
Citizens Trust and Savings Bank	South Haven
The Citizens State Bank	Sturgis
United Savings Bank of Tecumseh	Tecumseh
Old Kent Bank-Grand Traverse	Traverse City
Old Kent Bank-Southeast	Trenton
Trenton Bank and Trust Company	Trenton
Wyandotte Savings Bank	Wyandotte
FMB-First Michigan Bank	Zeeland

Institutions authorized to exercise specifically limited trust powers:

FMB-Community Bank	Fowlerville
State Savings Bank, Frankfort, Mich.	Frankfort
Bank of Commerce	Hamtramck
Peoples State Bank	Hamtramck
Harbor Springs State Bank	Harbor Springs
State Savings Bank	Lowell
G. W. Jones Exchange Bank	Marcellus
Kalamazoo County State Bank	Schoolcraft

*Granted full trust powers in 1985.

TRUST SERVICES
AS OF DECEMBER 31, 1985

State banks which have contracted with another bank (state-chartered or national association) to either provide trust services in its name and for its account at one or more of the banking offices of the other bank or to permit a state or national bank having its principal office in this state and exercising full trust powers to carry on trust services at one or more of its banking offices pursuant to section 181a of the Michigan banking code of 1969.

Name and Location of Host Bank		**Name and Location of Provider Bank**	
Bank of Lenawee County	Adrian	Comerica Bank-Detroit	Detroit
Commercial Savings Bank	Adrian	Citizens Trust	Ann Arbor
Chemical Bank Albion	Albion	Chemical Bank and Trust Company	Midland
The Algonac Savings Bank	Algonac	The Commercial and Savings Bank of St. Clair County	St. Clair
Alpena Savings Bank	Alpena	First of America Bank-Central	Lansing
NBD Alpena Bank	Alpena	National Bank of Detroit	Detroit
Comerica Bank-Ann Arbor, N.A.	Ann Arbor	Comerica Bank-Detroit	Detroit
Chemical Bank AuGres	AuGres	Chemical Bank and Trust Company	Midland
Manufacturers Bank of Bay City	Bay City	Manufacturers National Bank of Detroit	Detroit
Chemical Bank Gladwin County	Beaverton	Chemical Bank and Trust Company	Midland
Bellaire State Bank	Bellaire	National Bank of Detroit	Detroit
Old Kent Bank of Big Rapids	Big Rapids	Old Kent Bank and Trust Company	Grand Rapids
Fidelity Bank of Michigan	Birmingham	National Bank of Detroit	Detroit
The Blissfield State Bank	Blissfield	National Bank of Detroit	Detroit
Old Kent Bank of Brighton	Brighton	Old Kent Bank and Trust Company	Grand Rapids
Brown City Savings Bank	Brown City	National Bank of Detroit	Detroit
*Chemical Bank West	Cadillac	Chemical Bank and Trust Company	Midland
NBD Cadillac Bank	Cadillac	National Bank of Detroit	Detroit
Old Kent Bank of Cadillac	Cadillac	Old Kent Bank and Trust Company	Grand Rapids
First of America Bank-Copper Country	Calumet	First of America Bank-Marquette, N.A.	Marquette
The Peoples State Bank of Caro, Michigan	Caro	Genesee Merchants Bank & Trust Co.	Flint
State Savings Bank of Caro	Caro	National Bank of Detroit	Detroit
The Cass City State Bank	Cass City	National Bank of Detroit	Detroit
Chemical Bank Cass City	Cass City	Chemical Bank and Trust Company	Midland
Charlevoix County State Bank	Charlevoix	National Bank of Detroit	Detroit
First State Bank of Charlevoix	Charlevoix	Manufacturers National Bank of Detroit	Detroit
First of America Bank-Charlotte	Charlotte	First of America Bank-Central	Lansing
Citizens National Bank of Cheboygan	Cheboygan	Comerica Bank-Detroit	Detroit
First of America Bank-Straits Area	Cheboygan	First of America Bank-Marquette, N.A.	Marquette
Chelsea State Bank	Chelsea	NBD Ann Arbor, N.A.	Ann Arbor
Chemical Bank Clare	Clare	Chemical Bank and Trust Company	Midland
Manufacturers Bank of Coopersville	Coopersville	Manufacturers National Bank of Detroit	Detroit
State Bank of Croswell	Croswell	National Bank of Detroit	Detroit

TRUST SERVICES - Cont.

Sanilac County Bank	Deckerville	National Bank of Detroit	Detroit
First of America Bank-Deerfield	Deerfield	First of America Bank-Ann Arbor	Ann Arbor
FMB-Community Bank	Dowagiac	FMB-First Michigan Bank	Zeeland
NBD Monroe County Bank	Dundee	NBD Ann Arbor, N.A.	Ann Arbor
Northwestern State Bank	East Jordan	Manufacturers National Bank of Detroit	Detroit
Michigan Bank-Huron	East Tawas	Michigan National Bank	Lansing
State Bank of Escanaba	Escanaba	First of America Bank-Michigan, N.A.	Kalamazoo
The Farwell State Savings Bank	Farwell	National Bank of Detroit	Detroit
State Savings Bank of Fenton	Fenton	Comerica Bank-Detroit	Detroit
Community State Bank of Fowlerville	Fowlerville	Genesee Merchants Bank & Trust Co.	Flint
Old Kent Bank of Fremont	Fremont	Old Kent Bank and Trust Company	Grand Rapids
First National Bank of Gaylord	Gaylord	Comerica Bank-Detroit	Detroit
Old Kent Bank of Gaylord	Gaylord	Old Kent Bank and Trust Company	Grand Rapids
First of America Bank-Mid Michigan	Gladwin	First of America Bank-Central	Lansing
Old Kent Bank of Grand Blanc	Grand Blanc	Old Kent Bank and Trust Company	Grand Rapids
First of America Bank-Grand Ledge	Grand Ledge	First of America Bank-Central	Lansing
United Bank of Michigan	Grand Rapids	Manufacturers National Bank of Detroit	Detroit
Chemical Bank North	Grayling	Chemical Bank and Trust Company	Midland
Grayling State Bank	Grayling	Manufacturers National Bank of Detroit	Detroit
Commercial Bank	Greenville	Manufacturers National Bank of Detroit	Detroit
Comerica Bank-Grosse Pointe, N.A.	Grosse Pointe	Comerica Bank-Detroit	Detroit
Farmers and Merchants State Bank of Hale	Hale	National Bank of Detroit	Detroit
First of America Bank-Huron	Harbor Beach	First of America Bank-Central	Lansing
Harbor Springs State Bank	Harbor Springs	Manufacturers National Bank of Detroit	Detroit
Old Kent Bank of Hillsdale	Hillsdale	Old Kent Bank and Trust Company	Grand Rapids
Old Kent Bank of Holland	Holland	Old Kent Bank and Trust Company	Grand Rapids
First National Bank in Howell	Howell	First of America Bank-Central	Lansing
NewCentury Bank-Metro West	Howell	NewCentury Bank	Frankenmuth
Bank of Hudsonville	Hudsonville	Union Bank and Trust Company, N.A.	Grand Rapids
*Security Bank Imlay City	Imlay City	Security Bank and Trust Company	Southgate
Michigan Bank-Midwest	Jackson	Michigan National Bank	Lansing
Old Kent Bank of Kalamazoo	Kalamazoo	Old Kent Bank and Trust Company	Grand Rapids
Old Kent Bank of Kentwood	Kentwood	Old Kent Bank and Trust Company	Grand Rapids
Union Bank	Lake Odessa	National Bank of Detroit	Detroit
*Comerica Bank-Lansing, N.A.	Lansing	Comerica Bank-Detroit	Detroit
NBD Commerce Bank	Lansing	National Bank of Detroit	Detroit
Lewiston State Bank	Lewiston	National Bank of Detroit	Detroit

TRUST SERVICES - Cont.

Comerica Bank-Livonia	Livonia	Comerica Bank-Detroit	Detroit
Manufacturers Bank of Livonia	Livonia	Manufacturers National Bank of Detroit	Detroit
Antrim County State Bank	Mancelona	National Bank of Detroit	Detroit
The State Savings Bank of Manistique.	Manistique	The First National Bank & Trust Company of Marquette	Marquette
Chemical Bank Marshall	Marshall	Chemical Bank and Trust Company	Midland
Mason State Bank	Mason	East Lansing State Bank	East Lansing
First of America Bank-Menominee	Menominee	First of America Bank-Marquette, N.A.	Marquette
Mount Clemens Bank	Mount Clemens	National Bank of Detroit	Detroit
NewCentury Bank-Mt. Pleesant	Mount Pleasant	NewCentury Bank-Bay City, N.A.	Bay City
Peoples State Bank of Munising	Munising	First of America Bank-Marquette, N.A.	Marquette
Pioneer Bank	North Branch	National Bank of Detroit	Detroit
Manufacturers Bank of Novi	Novi	Manufacturers National Bank of Detroit	Detroit
NewCentury Bank-AuSable	Oscoda	NewCentury Bank-Bay City, N.A.	Bay City
Key State Bank	Owosso	Citizens Commercial & Savings Bank	Flint
*Old Kent Bank-Central	Owosso	Old Kent Bank and Trust Company	Grand Rapids
Old Kent Bank of Petoskey	Petoskey	Old Kent Bank and Trust Company	Grand Rapids
*Pontiac State Bank	Pontiac	National Bank of Detroit	Detroit
NBD Portage Bank	Portage	National Bank of Detroit	Detroit
Maynard-Allen State Bank	Portland	Union Bank and Trust Company, N.A.	Grand Rapids
Macomb County Bank	Richmond	National Bank of Detroit	Detroit
Security Bank of Richmond	Richmond	Security Bank and Trust Company	Southgate
NBD Roscommon Bank	Roscommon	National Bank of Detroit	Detroit
NBD Saginaw	Saginaw	National Bank of Detroit	Detroit
Manufacturers Bank of The Shores	St. Clair Shores	Manufacturers National Bank of Detroit	Detroit
Security Bank St. Clair Shores	St. Clair Shores	Security Bank and Trust Company	Southgate
*The Peoples State Bank of St. Joseph.	St. Joseph	Union Bank and Trust Company, N.A.	Grand Rapids
Manufacturers Bank of Saline	Saline	Manufacturers National Bank of Detroit	Detroit
NBD Sandusky Bank	Sandusky	National Bank of Detroit	Detroit
Central Savings Bank	Sault Ste. Marie	First National Bank and Trust Company	Petoskey
First of America Bank-Bay Area	Sebewaing	First of America Bank-Central	Lansing
Comerica Bank-Central	Shepherd	Comerica Bank-Midland	Midland
Comerica Bank-Southfield	Southfield	Comerica Bank-Detroit	Detroit
The State Savings Bank of South Lyon.	South Lyon	First of America Bank-Ann Arbor	Ann Arbor
First of America Bank-Iron County	Stambaugh	First of America Bank-Marquette, N.A.	Marquette
State Bank of Standish	Standish	Comerica Bank-Midland	Midland
Chemical Bank Montcalm	Stanton	Chemical Bank and Trust Company	Midland
Bank of Stephenson	Stephenson	National Bank of Detroit	Detroit
Comerica Bank-Metro East, N.A.	Sterling Heights	Comerica Bank-Detroit	Detroit

TRUST SERVICES - Cont.

Old Kent Bank-Southeast	Trenton	Old Kent Bank and Trust Company	Grand Rapids
Comerica Bank-Troy	Troy	Comerica Bank-Detroit	Detroit
Comerica Bank-Warren, N.A.	Warren	Comerica Bank-Detroit	Detroit
Wayne Bank	Wayne	First of America Bank-Ann Arbor	Ann Arbor
Comerica Bank-West Branch, N.A.	West Branch	Comerica Bank-Midland	Midland
NewCentury Bank-West Branch	West Branch	NewCentury Bank-Bay City, N.A.	Bay City
The First State Bank, White Cloud, Michigan	White Cloud	Union Bank and Trust Company, N.A.	Grand Rapids
Peoples State Bank	Williamston	National Bank of Detroit	Detroit
Ypsilanti Savings Bank	Ypsilanti	Comerica Bank-Detroit	Detroit

*Entered into trust services agreements during 1985.

BANK HOLDING COMPANIES AND MICHIGAN SUBSIDIARIES
DECEMBER 31, 1985
(000's Omitted)

7030 ALLIANCE FINANCIAL CORPORATION — Date registered: 01-Oct-83
23400 Michigan Avenue, Box 2543-C, Dearborn, Michigan 48124
(313)274-1000

	SUBSIDIARY NAME	CITY	ACQUIRED	DEPOSITS
1	Dearborn Bank and Trust Company	Dearborn	01-Oct-83	$198,736

194 AMERICAN NATIONAL HOLDING COMPANY — Date registered: 31-Jan-72
136 East Michigan Avenue, Box 2769, Kalamazoo, Michigan 49003
(616)383-6700

	SUBSIDIARY NAME	CITY	ACQUIRED	DEPOSITS
1	The American National Bank and Trust Company of Michigan	Kalamazoo	01-Feb-72	$356,069
2	The American Bank of Niles, National Association	Niles	08-Jan-73	20,630
3	The American Bank of Three Rivers, National Association	Three Rivers	29-Jan-73	26,848
4	The American National Bank in Portage	Portage	29-Jan-73	27,607
5	The American National Bank - West	South Haven	01-Oct-73	32,034
6	The American National Bank in Battle Creek	Battle Creek	01-Oct-73	32,916
7	The American National Bank in Western Michigan	Allegan	05-Nov-73	36,518
8	Ludington Bank and Trust Company	Ludington	30-Sep-80	40,501
9	Central National Bank of St. Johns	St. Johns	01-Feb-84	61,130
				$634,253

936 BAY PORT ASSOCIATES — Date registered: 31-Dec-70
6606 Main Street, Box 69, Caseville, Michigan 48728
(517)856-2464

	SUBSIDIARY NAME	CITY	ACQUIRED	DEPOSITS
1	Bay Port State Bank	Bay Port	Prior to 1970	$10,068

4376 CB FINANCIAL CORPORATION — Date registered: 07-Aug-81
One Jackson Square, Jackson, Michigan 49201
(517)788-2708

	SUBSIDIARY NAME	CITY	ACQUIRED	DEPOSITS
1	City Bank and Trust Company, National Association	Jackson	07-Aug-81	$304,651
2	Clinton Bank and Trust Company	St. Johns	31-Dec-83	126,570
				$431,221

2013 CHEMICAL FINANCIAL CORPORATION — Date registered: 30-Jun-74
333 East Main Street, Box 569, Midland, Michigan 48640
(517)631-3310

	SUBSIDIARY NAME	CITY	ACQUIRED	DEPOSITS
1	Chemical Bank and Trust Company	Midland	30-Jun-74	$362,525
2	Chemical Bank Albion	Albion	30-Sep-75	18,528
3	Chemical Bank Au Gres	Au Gres	31-May-77	27,814
4	Chemical Bank Gladwin County	Beaverton	23-Jun-77	35,686
5	Chemical Bank Marshall	Marshall	31-Jul-78	16,901
6	Chemical Bank Clare	Clare	31-Dec-79	103,429
7	Chemical Bank Montcalm	Stanton	31-Dec-81	65,148
8	Chemical Bank Cass City	Cass City	30-Sep-82	23,758
9	Chemical Bank North	Grayling	31-Aug-84	36,902
10	Chemical Bank West	Cadillac	16-Dec-85	48,799
				$739,490

7979 CITIZENS BANCSHARES, INC. — Date registered: 31-Aug-84
501 River Street, Box 187, Ontonagon, Michigan 49953
(906)884-4165

	SUBSIDIARY NAME	CITY	ACQUIRED	DEPOSITS
1	The Citizens State Bank of Ontonagon	Ontonagon	31-Aug-84	$21,686

BANK HOLDING COMPANIES AND MICHIGAN SUBSIDIARIES - Cont.
DECEMBER 31, 1985
(000's Omitted)

4357 CITIZENS BANKING CORPORATION — Date registered: 01-Jan-82
One Citizens Banking Center — Flint, Michigan 48502
(313)766-7500

	SUBSIDIARY NAME	CITY	ACQUIRED	DEPOSITS
1	Citizens Commercial & Savings Bank	Flint	01-Jan-82	$947,173
2	Grayling State Bank	Grayling	02-Jul-84	35,254
3	State Bank of Standish	Standish	23-Jan-85	94,647
4	SECOND NATIONAL CORPORATION	Saginaw	18-Dec-85	
	Second National Bank of Bay City	Bay City	18-Dec-85	60,121
	Second National Bank of Saginaw	Saginaw	18-Dec-85	509,837
				$1,647,032

8952 CNB CORPORATION — Date registered: 31-Dec-85
303 North Main Street, Box 10 — Cheboygan, Michigan 49721

	SUBSIDIARY NAME	CITY	ACQUIRED	DEPOSITS
1	Citizens National Bank of Cheboygan	Cheboygan	31-Dec-85	$92,699

442 COMERICA INCORPORATED — Date registered: 31-May-73
211 West Fort Street — Detroit, Michigan 48275
(313)222-3300

	SUBSIDIARY NAME	CITY	ACQUIRED	DEPOSITS
1	Comerica Bank - Detroit	Detroit	31-May-73	$5,787,590
2	Comerica Bank - Livonia	Livonia	30-Aug-74	140,675
3	Comerica Bank - Southfield	Southfield	01-May-75	182,039
4	Comerica Bank - Warren, National Association	Warren	31-May-75	303,031
5	Comerica Bank - Troy	Troy	17-Jul-75	177,541
6	Comerica Bank - Kentwood, National Association	Kentwood	31-Aug-77	52,499
7	Comerica Bank - Hackley, National Association	Muskegon	30-Nov-77	296,089
8	Comerica Bank - Metro East, National Association	Sterling Heights	01-Apr-78	126,270
9	Comerica Bank - Metro West, National Association	Novi	31-Jan-80	57,056
10	Comerica Bank - Kalamazoo	Kalamazoo	31-Jul-80	215,111
11	Comerica Bank - Central	Shepherd	01-Jul-81	25,001
12	Comerica Bank - Midland	Midland	01-Jul-81	104,520
13	Comerica Bank - West Branch, National Association	West Branch	01-Jul-81	12,478
14	Comerica Bank - Battle Creek	Battle Creek	01-Sep-81	151,570
15	Comerica Bank - Ann Arbor, National Association	Ann Arbor	01-May-82	162,318
16	Comerica Bank - Jackson, National Association	Jackson	01-Sep-82	299,834
17	Comerica Bank - Grosse Pointe, National Association	Grosse Pointe	01-Nov-82	42,633
18	Comerica Bank - Lansing, National Association	Lansing	12-Jun-85	3,849
				$8,140,106

2424 COMMERCIAL BANKSHARES CORP. — Date registered: 31-Dec-76
117 East Maumee Street, Box 249 — Adrian, Michigan 49221
(517)263-8939

	SUBSIDIARY NAME	CITY	ACQUIRED	DEPOSITS
1	Commercial Savings Bank	Adrian	31-Dec-76	$126,598
2	The Jipson - Carter State Bank	Blissfield	31-Jan-84	27,795
				$154,393

7835 EASTERN MICHIGAN FINANCIAL CORPORATION — Date registered: 07-Jan-85
65 North Howard Street — Croswell, Michigan 48422
(313)679-2500

	SUBSIDIARY NAME	CITY	ACQUIRED	DEPOSITS
1	State Bank of Croswell	Croswell	07-Jan-85	$54,624

6037 ERIE FINANCIAL CORPORATION — Date registered: 26-Sep-84
400 Renaissance Center, Suite 1100 — Detroit, Michigan 48243
(313)242-8600

	SUBSIDIARY NAME	CITY	ACQUIRED	DEPOSITS
1	Erie State Bank	Frenchtown Township	26-Sep-84	$46,59

BANK HOLDING COMPANIES AND MICHIGAN SUBSIDIARIES - Cont.
DECEMBER 31, 1985
(000's Omitted)

412 FIDELTY FINANCIAL CORPORATION OF MICHIGAN Date registered: 01-Mar-73
1040 East Maple Birmingham Michigan 48012
(313)642-1958

	SUBSIDIARY NAME	CITY	ACQUIRED	DEPOSITS
1	Fidelity Bank of Michigan	Birmingham	01-Mar-73	$50,777
2	Fidelity Bank of Southfield	Southfield	31-Jul-74	24,328
3	Fidelity Bank of Bingham Farms	Bingham Farms	01-May-80	11,185
4	Fidelity Bank of Troy	Troy	19-Jun-80	4,133
				$90,423

2137 FIRST MACOMB CORPORATION Date registered: 18-Jan-75
One North Gratiot Avenue Mt. Clemens Michigan 48043
(313)469-6111

	SUBSIDIARY NAME	CITY	ACQUIRED	DEPOSITS
1	Mount Clemens Bank	Mount Clemens	30-Sep-82	$237,344

2288 FIRST MANISTIQUE CORPORATION Date registered: 01-Apr-76
130 South Cedar Street Box 369 Manistique Michigan 49854
(906)341-2188

	SUBSIDIARY NAME	CITY	ACQUIRED	DEPOSITS
1	The First National Bank at Manistique	Manistique	29-Jan-76	$32,903
2	Manistique Lakes Bank	Curtis	12-Apr-76	11,073
				$43,976

795 FIRST MICHIGAN BANK CORPORATION Date registered: 01-Mar-74
101 East Main Street Box 300 Zeeland Michigan 49464
(616)396-9000

	SUBSIDIARY NAME	CITY	ACQUIRED	DEPOSITS
1	FMB - First Michigan Bank	Zeeland	01-Mar-74	$346,306
2	FMB - First Michigan Bank-Grand Rapids, National Association	Grand Rapids	15-Sep-75	53,367
3	FMB - Community Bank	Dowagiac	31-Dec-76	40,144
4	FMB - Lumberman's Bank	Muskegon	30-Jan-79	163,239
5	FMB - Oceana Bank	Hart	18-Jun-84	48,898
				$651,954

4802 FIRST NATIONAL BANCSHARES, INC. Date registered: 10-Dec-81
Suite 500, 241 Building Box 1007 East Lansing Michigan 48823
(517)337-1373

	SUBSIDIARY NAME	CITY	ACQUIRED	DEPOSITS
1	First National Bank of Michigan	East Lansing	10-Dec-81	$52,169

211 FIRST OF AMERICA BANK CORPORATION Date registered: 10-Mar-72
108 East Michigan Avenue Kalamazoo Michigan 49007
(616)383-9000

	SUBSIDIARY NAME	CITY	ACQUIRED	DEPOSITS
1	First of America Bank - Deerfield	Deerfield	20-Mar-72	$36,675
2	First of America Bank - Michigan, National Association	Kalamazoo	20-Mar-72	696,839
3	First of America Bank - Copper Country	Calumet	23-Mar-72	51,862
4	First of America Bank - Holland, National Association	Holland	26-Mar-73	88,734
5	First of America Bank - Iron County	Stambaugh	18-Apr-73	19,597
6	First of America Bank - Straits Area	Cheboygan	11-May-73	69,361
7	First of America Bank - Menominee	Menominee	04-Jun-73	32,552
8	First of America Bank - Central	Lansing	01-Oct-73	398,713
9	First of America Bank - Grand Ledge	Grand Ledge	06-Dec-73	15,308
10	First of America Bank - Gogebic, National Association	Ironwood	13-Dec-73	42,854
11	First of America Bank - Charlotte	Charlotte	29-Apr-74	21,294
12	First of America Bank - Sault Ste. Marie, National Association	Sault Ste. Marie	08-May-74	35,541
13	First of America Bank - Ann Arbor	Ann Arbor	30-Apr-75	365,298
14	First of America Bank - Ludington, National Association	Ludington	03-Dec-76	52,075
15	First of America Bank - Grand Rapids, National Association	Grand Rapids	31-Dec-76	32,509
16	First of America Bank - Muskegon	Muskegon	01-Jun-77	220,530

FIRST OF AMERICA BANK CORPORATION - Cont.

	SUBSIDIARY NAME	CITY	ACQUIRED	DEPOSITS
17	First of America Bank - Van Buren	Hartford	30-Dec-78	$33,018
18	First of America Bank - Bay Area	Sebewaing	10-Jan-80	33,230
19	First of America Bank - Marquette, National Association	Marquette	20-Jun-80	52,688
20	First of America Bank - Wayne Oakland	Royal Oak	01-Jul-80	533,862
21	First of America Bank - South Central, National Association	Quincy	29-Sep-80	52,821
22	First of America Bank - Alger, National Association	Munising	13-May-81	18,119
23	First of America Bank - Detroit, National Association	Detroit	09-Oct-81	889,495
24	First of America Bank - Plymouth, National Association	Plymouth	09-Oct-81	62,284
25	First of America Bank - Rochester, National Association	Rochester	09-Oct-81	51,896
26	First of America Bank - Troy	Troy	09-Oct-81	46,441
27	First of America Bank - Huron	Harbor Beach	30-Sep-82	26,386
28	First of America Bank - Mid Michigan	Gladwin	01-Oct-82	84,747
29	First of America Bank - Oakland Macomb, National Association	Pontiac	01-Jul-85	526,036
30	First of America Bank - Alpena	Alpena	31-Dec-85	110,516
				$4,701,281

4333 FIRST OF HURON CORPORATION — Date registered: 28-Dec-81
One East Huron Avenue — Bad Axe Michigan 48413
(517)269-9531

	SUBSIDIARY NAME	CITY	ACQUIRED	DEPOSITS
1	First National Bank of Bad Axe	Bad Axe	28-Dec-81	$62,777

3503 FIRST STATE FINANCIAL CORPORATION — Date registered: 28-Feb-81
22556 Gratiot Avenue — East Detroit Michigan 48021
(313)775-5000

	SUBSIDIARY NAME	CITY	ACQUIRED	DEPOSITS
1	First State Bank of East Detroit	East Detroit	28-Feb-81	$194,643
2	Macomb County Bank	Richmond	28-Jan-82	41,443
				$236,086

927 FIRST STATE INVESTMENT CO. — Date registered: 22-Dec-70
301 South Lafayette Box 154 — Greenville Michigan 48838
(616)754-5611

	SUBSIDIARY NAME	CITY	ACQUIRED	DEPOSITS
1	First State Bank of Greenville	Greenville	Prior to 1970	$52,018

8222 FNB BANCORP, INC. — Date registered: 31-Dec-84
226 West Caroline Street — Fenton Michigan 48430
(313)629-2871

	SUBSIDIARY NAME	CITY	ACQUIRED	DEPOSITS
1	First National Bank of Fenton	Fenton	31-Dec-84	$71,015

7093 HARBOR COUNTRY BANKING CORPORATION — Date registered: 30-Sep-83
Three North Elm Street — Three Oaks Michigan 49128
(616)756-2871

	SUBSIDIARY NAME	CITY	ACQUIRED	DEPOSITS
1	The Bank of Three Oaks	Three Oaks	30-Sep-83	$49,900

6238 HARBOR SPRINGS FINANCIAL CORPORATION — Date registered: 01-Feb-83
200 East Main Street — Harbor Springs Michigan 49740
(616)526-2114

	SUBSIDIARY NAME	CITY	ACQUIRED	DEPOSITS
1	Harbor Springs State Bank	Harbor Springs	01-Feb-83	$26,187

BANK HOLDING COMPANIES AND MICHIGAN SUBSIDIARIES - Cont.
DECEMBER 31, 1985
(000's Omitted)

1944 INDEPENDENT BANK CORPORATION Date registered: 01-Jun-74
230 West Main Street Box 491 Ionia Michigan 48846
(616)527-9450

	SUBSIDIARY NAME	CITY	ACQUIRED	DEPOSITS
1	First Security Bank	Ionia	01-Jun-74	$95,707
2	Independent Bank - West Michigan	Rockford	21-Aug-75	61,517
3	Independent Bank - South Michigan	Leslie	16-Feb-81	45,046
				$202,270

4813 KASCO FINANCIAL CORPORATION Date registered: 31-Dec-81
27248 Van Dyke Avenue Box 658 Warren Michigan 48093
(313)758-3500

	SUBSIDIARY NAME	CITY	ACQUIRED	DEPOSITS
1	Warren Bank	Warren	31-Dec-81	$211,802

428 MANUFACTURERS NATIONAL CORPORATION Date registered: 24-Apr-73
Manufacturers Bank Tower Ren. Center Detroit Michigan 48243
(313)222-4000

	SUBSIDIARY NAME	CITY	ACQUIRED	DEPOSITS
1	Manufacturers National Bank of Detroit	Detroit	24-Apr-73	$4,754,163
2	Manufacturers Bank of Livonia	Livonia	02-Jan-74	100,304
3	Manufacturers Bank of Saline	Saline	03-Jun-74	87,808
4	Manufacturers Bank of Bay City	Bay City	30-Sep-75	101,751
5	Manufacturers Bank of Southfield, National Association	Southfield	11-Feb-77	186,077
6	Manufacturers Bank of The Shores	St. Clair Shores	06-Jun-77	65,163
7	AMERICAN HERITAGE BANCSHARES, INC.	East Lansing	13-Jun-79	
	Manufacturers Bank of Coopersville	Coopersville	13-Jun-79	48,424
8	Manufacturers Bank of Novi	Novi	24-Oct-79	25,540
9	Bank of Lansing	Lansing	30-Jan-81	248,073
				$5,617,303

4451 METRO BANCORP, INC. Date registered: 01-Jan-82
27500 Farmington Road Farmington Hills Michigan 48018
(313)553-4200

	SUBSIDIARY NAME	CITY	ACQUIRED	DEPOSITS
1	Metropolitan National Bank of Farmington	Farmington Hills	01-Jan-82	$35,451

580 MICHIGAN FINANCIAL CORPORATION Date registered: 01-Oct-73
101 West Washington Street Marquette Michigan 49855
(906)228-6940

	SUBSIDIARY NAME	CITY	ACQUIRED	DEPOSITS
1	First National Bank & Trust Company	Escanaba	01-Oct-73	$90,549
2	The First National Bank & Trust Company of Marquette	Marquette	01-Oct-73	144,822
3	The First National Bank of Hermansville	Hermansville	01-Oct-73	18,084
4	The Gwinn State Savings Bank	Gwinn	01-Oct-73	17,966
5	The Miners' First National Bank & Trust Company of Ishpeming	Ishpeming	01-Oct-73	58,700
6	Trenary State Bank	Trenary	01-Oct-73	10,870
7	First National Bank of Ironwood	Ironwood	31-Dec-74	57,109
8	The Iron River National Bank	Iron River	01-Jun-77	35,852
9	First National Bank and Trust of Menominee	Menominee	31-Dec-81	57,031
				$490,983

277 MICHIGAN NATIONAL CORPORATION Date registered: 06-Nov-72
1700 Woodward Avenue Box 589 Bloomfield Hills Michigan 48303
(313)642-9001

	SUBSIDIARY NAME	CITY	ACQUIRED	DEPOSITS
1	Michigan National Bank	Lansing	06-Nov-72	$1,506,774
2	Michigan National Bank - North Metro	Troy	06-Nov-72	370,722
3	Michigan National Bank - Oakland	Southfield	06-Nov-72	458,940
4	Michigan National Bank - West Metro	Livonia	06-Nov-72	311,732
5	Michigan National Bank of Detroit	Detroit	06-Nov-72	1,513,425

BANK HOLDING COMPANIES AND MICHIGAN SUBSIDIARIES - Cont.
DECEMBER 31, 1985
(000's Omitted)

MICHIGAN NATIONAL CORPORATION - Cont.

	SUBSIDIARY NAME	CITY	ACQUIRED	DEPOSITS
6	Michigan National Bank - Mid Michigan	Flint	10-Dec-73	276,826
7	Michigan National Bank - West	Kalamazoo	07-Jan-74	68,496
8	Michigan National Bank - Central	Wyoming	10-Dec-74	302,570
9	Michigan National Bank - Valley	Midland	10-Dec-74	168,595
10	Michigan National Bank of Macomb	Warren	30-Dec-74	200,114
11	Michigan National Bank - Grand Traverse	Traverse City	29-Sep-75	54,376
12	Michigan National Bank - West Oakland	Novi	25-Nov-75	79,986
13	Michigan National Bank - Michiana	Cassopolis	11-Mar-76	135,779
14	Michigan National Bank - Farmington	Farmington Hills	27-Jun-77	49,054
15	Michigan National Bank - Sterling	Sterling Heights	02-Mar-78	78,488
16	Michigan Bank - Port Huron	Port Huron	20-Apr-78	286,470
17	Michigan National Bank - Ann Arbor	Ann Arbor	13-Jun-79	55,233
18	Michigan Bank - Livingston	Brighton	31-Dec-79	53,953
19	Michigan Bank - Mid South	Litchfield	31-Dec-79	53,745
20	Michigan National Bank - North	Petoskey	31-Dec-79	22,447
21	Michigan National Bank - South Metro	Dearborn	31-Dec-79	221,799
22	Michigan Bank - Midwest	Jackson	17-Sep-81	80,634
23	Michigan Bank - Huron	East Tawas	05-Nov-81	50,211
				$6,400,369

245 MIDLAND BANCORP, INC. Date registered: 09-Nov-45
135 West Central Boulevard Suite 600 Orlando Florida 32801
(313)985-8171

	SUBSIDIARY NAME	CITY	ACQUIRED	DEPOSITS
1	Peoples Bank of Port Huron	Port Huron	30-Jun-72	$221,849

346 NBD BANCORP, INC. Date registered: 01-Jan-73
611 Woodward Avenue Detroit Michigan 48226
(313)225-1000

	SUBSIDIARY NAME	CITY	ACQUIRED	DEPOSITS
1	National Bank of Detroit	Detroit	01-Jan-73	$8,951,708
2	NBD Dearborn Bank, National Association	Dearborn	04-Jun-74	53,981
3	NBD Grand Valley Bank, National Association	Grandville	04-Nov-74	92,550
4	NBD Commerce Bank	Lansing	02-Sep-75	68,100
5	NBD Troy Bank, National Association	Troy	23-Feb-76	62,191
6	NBD Port Huron Bank, National Association	Port Huron	28-Oct-75	20,214
7	NBD Saginaw	Saginaw	01-Nov-78	115,880
8	NBD Portage Bank	Portage	12-Apr-79	17,290
9	NBD Alpena Bank	Alpena	01-Aug-79	113,252
10	NBD F & M Bank, National Association	Benton Harbor	03-Jan-80	185,822
11	WEST MICHIGAN FINANCIAL CORPORATION	Cadillac	01-Aug-80	
	NBD Cadillac Bank	Cadillac	01-Aug-80	171,419
	NBD Evart Bank, National Association	Evart	01-Aug-80	28,749
12	NATIONAL ANN ARBOR CORPORATION	Ann Arbor	01-Jun-81	
	NBD Ann Arbor, National Association	Ann Arbor	01-Jun-81	278,094
	NBD Monroe County Bank	Dundee	31-Dec-79	29,647
13	NBD Sandusky Bank	Sandusky	31-Dec-81	105,211
14	NBD Roscommon Bank	Roscommon	31-Dec-81	129,092
15	NBD Northwest Bank, National Association	Traverse City	09-Mar-84	110,317
16	Pontiac State Bank	Pontiac	27-Aug-84	567,209
17	UNITED MICHIGAN CORPORATION	Flint	28-Mar-85	
	Community State Bank of Fowlerville	Fowlerville	28-Mar-85	22,188
	Genesee Merchants Bank & Trust Co.	Flint	28-Mar-85	850,306
	The Peoples State Bank of Caro, Michigan	Caro	28-Mar-85	34,384
				$12,007,604

666 NEWCENTURY BANK CORPORATION Date registered: 19-Nov-73
108 West School Street Suite A Frankenmuth Michigan 48734
(517)652-3283

	SUBSIDIARY NAME	CITY	ACQUIRED	DEPOSITS
1	NewCentury Bank - Bay City, National Association	Bay City	19-Nov-73	$320,010
2	NewCentury Bank - West Branch	West Branch	19-Nov-73	57,213
3	NewCentury Bank - AuSable	Oscoda	31-Dec-74	33,332
4	NewCentury Bank - Mt. Pleasant	Mt. Pleasant	31-Dec-74	70,671
5	NewCentury Bank	Frankenmuth	31-Jul-75	289,292

BANK HOLDING COMPANIES AND MICHIGAN SUBSIDIARIES - Cont.
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(000's Omitted)

NEWCENTURY BANK CORPORATION - Cont.

	SUBSIDIARY NAME	CITY	ACQUIRED	DEPOSITS
6	NewCentury Bank - Lapeer, National Association	Lapeer	07-Jun-77	87,861
7	NewCentury Bank - Thumb	Bad Axe	30-Jun-81	92,906
8	NewCentury Bank - Metro West	Howell	31-Dec-81	85,000
				$1,036,285

3919 NORTHWESTERN BANK CORPORATION — Date registered: 15-Jan-81
102 Mill Street — Box 419 — East Jordan — Michigan — 49727
(616)536-2251

	SUBSIDIARY NAME	CITY	ACQUIRED	DEPOSITS
1	Northwestern State Bank	East Jordan	16-Jan-81	$78,274

271 OLD KENT FINANCIAL CORPORATION — Date registered: 16-Oct-72
One Vandenberg Center — Grand Rapids — Michigan — 49503
(616)774-5000

	SUBSIDIARY NAME	CITY	ACQUIRED	DEPOSITS
1	Old Kent Bank and Trust Company	Grand Rapids	16-Oct-72	$2,043,801
2	Old Kent Bank of Cadillac	Cadillac	01-Aug-73	57,186
3	Old Kent Bank of Fremont	Fremont	01-Nov-73	42,667
4	Old Kent Bank of Holland	Holland	31-Dec-73	199,503
5	Old Kent Bank of Kentwood	Kentwood	22-Jun-76	17,185
6	Old Kent Bank - Southeast	Trenton	03-Jan-78	210,212
7	Old Kent Bank of Big Rapids	Big Rapids	18-Jun-79	88,044
8	Old Kent Bank of Petoskey	Petoskey	02-Jan-80	90,171
9	Old Kent Bank of Kalamazoo	Kalamazoo	01-Apr-81	20,601
10	Old Kent Bank of Gaylord	Gaylord	01-Jun-81	99,029
11	Old Kent Bank - Central	Owosso	31-Mar-83	214,377
12	Old Kent Bank - Grand Traverse	Traverse City	31-Mar-83	264,781
13	Old Kent Bank - Southwest	Niles	31-Mar-83	232,869
14	Old Kent Bank of Almont	Almont	31-Mar-83	24,057
15	Old Kent Bank of Brighton	Brighton	31-Mar-83	134,221
16	Old Kent Bank of Grand Blanc	Grand Blanc	31-Mar-83	54,132
17	Old Kent Bank of Grand Haven	Grand Haven	31-Mar-83	200,454
18	Old Kent Bank of Hillsdale	Hillsdale	31-Mar-83	74,337
19	Old Kent Bank of Lansing, National Association	Lansing	31-Mar-83	28,371
				$4,095,998

8260 OMNI BANK CORPORATION — Date registered: 01-Jul-85
3200 Biddle Avenue — Wyandotte — Michigan — 48192
(313)284-8800

	SUBSIDIARY NAME	CITY	ACQUIRED	DEPOSITS
1	Wyandotte Savings Bank	Wyandotte	01-Jul-85	$315,013

3741 ONTONAGON FIRST NATIONAL CORPORATION — Date registered: 16-Oct-80
601 River Street — Box 68 — Ontonagon — Michigan — 49953
(906)884-4114

	SUBSIDIARY NAME	CITY	ACQUIRED	DEPOSITS
1	The First National Bank in Ontonagon	Ontonagon	16-Oct-80	$16,289

6779 PIONEER BANKSHARES, INC. — Date registered: 15-Jul-83
4046 Huron Street — Box 1 — North Branch — Michigan — 48461
(313)688-3051

	SUBSIDIARY NAME	CITY	ACQUIRED	DEPOSITS
1	Pioneer Bank	North Branch	15-Jul-83	$12,152

3058 PRESQUE ISLE BANCORPORATION, INC. Date registered: 01-Jun-79
111 Michigan Avenue Box 80 Rogers City Michigan 49779
(517)734-2161

	SUBSIDIARY NAME	CITY	ACQUIRED	DEPOSITS
1	Presque Isle Bank	Rogers City	01-Jun-79	$35,462

7944 ROYAL BANK GROUP, INC. Date registered: 05-Sep-84
215 South Center Street Box 156 Royal Oak Michigan 48067
(313)399-5200

	SUBSIDIARY NAME	CITY	ACQUIRED	DEPOSITS
1	National Bank of Royal Oak	Royal Oak	05-Sep-84	$83,885

8126 RUTH BANK CORPORATION Date registered: 01-Nov-84
7004 East Atwater Road Box 8 Ruth Michigan 48470
(517)864-3380

	SUBSIDIARY NAME	CITY	ACQUIRED	DEPOSITS
1	Ruth State Bank	Ruth	01-Nov-84	$23,253

8211 S.B.E. CORP. Date registered: 30-Nov-84
112 North 11th Street Escanaba Michigan 49829
(906)786-1331

	SUBSIDIARY NAME	CITY	ACQUIRED	DEPOSITS
1	State Bank of Escanaba	Escanaba	30-Nov-84	$50,018

6340 SECURITY BANCORP, INC. Date registered: 27-Apr-72
16333 Trenton Road Southgate Michigan 48195
(313)281-5000

	SUBSIDIARY NAME	CITY	ACQUIRED	DEPOSITS
1	Security Bank and Trust Company	Southgate	01-May-72	$936,405
2	Security Bank Oakland County	Novi	17-Apr-75	42,914
3	Security Bank of Richmond	Richmond	01-Jul-80	76,128
4	Security Bank St. Clair Shores	St. Clair Shores	01-Oct-82	77,496
5	Security Bank of Monroe	Monroe	31-Mar-83	199,159
6	Security Bank Imlay City	Imlay City	30-Apr-85	36,922
7	COMMERCE BANCORP, INC.	Hamtramck		
	Bank of Commerce	Hamtramck	31-Mar-83	352,107
	State Bank of Fraser	Fraser	31-Mar-83	98,613
				$1,819,744

6015 SOUTHERN MICHIGAN BANCORP, INC. Date registered: 08-Nov-82
51 West Pearl Street Box 309 Coldwater Michigan 49036
(517)279-7511

	SUBSIDIARY NAME	CITY	ACQUIRED	DEPOSITS
1	Southern Michigan National Bank	Coldwater	08-Nov-82	$100,863

6930 SPARTAN BANCORP, INC. Date registered: 30-Sep-83
100 West Grand River Avenue Box 1100 East Lansing Michigan 48823
(517)337-4100

	SUBSIDIARY NAME	CITY	ACQUIRED	DEPOSITS
1	East Lansing State Bank	East Lansing	30-Sep-83	$144,152

BANK HOLDING COMPANIES AND MICHIGAN SUBSIDIARIES - Cont.
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6679 STOCKBRIDGE BANCORPORATION, INC. Date registered: 11-May-83
122 West Main Street Box 437 Stockbridge Michigan 49288
(517)851-7733

SUBSIDIARY NAME	CITY	ACQUIRED	DEPOSITS
1 Stockbridge State Bank	Stockbridge	11-May-83	$31,342

7081 NEW SUPERIOR FINANCIAL CORPORATION Date registered: 01-Feb-84
511 Ashmun Street Box 610 Sault Ste. Marie Michigan 49783
(906)635-5201

SUBSIDIARY NAME	CITY	ACQUIRED	DEPOSITS
1 Sault Savings Bank	Sault Ste. Marie	01-Feb-84	$79,500

419 TANIS, INC. Date registered: 31-Mar-83
West Memorial Road Houghton Michigan 49931
(906)482-1171

SUBSIDIARY NAME	CITY	ACQUIRED	DEPOSITS
1 First National Bank of Calumet - Lake Linden	Calumet	31-Mar-73	$18,599

6045 UNION BANCORP, INC. Date registered: 30-Mar-73
200 Ottawa Avenue, N.W. Grand Rapids Michigan 49503
(616)451-7000

SUBSIDIARY NAME	CITY	ACQUIRED	DEPOSITS
1 Union Bank and Trust Company, National Association	Grand Rapids	10-Mar-73	$692,841
2 The Peoples Bank and Trust Company	Grand Haven	16-Sep-74	119,283
3 First National Bank and Trust Company	Petoskey	01-Apr-76	114,336
			$926,460

5759 UNITED COMMUNITY FINANCIAL CORPORATION Date registered: 15-Jan-83
103 South Main Street Wayland Michigan 49348
(616)792-2283

SUBSIDIARY NAME	CITY	ACQUIRED	DEPOSITS
1 United Bank of Michigan	Grand Rapids	18-Nov-83	$68,980

1136 UNITED MIDWEST BANCORPORATION, LTD. Date registered: 13-Sep-71
801 West Big Beaver Road Troy Michigan 48099
(313)362-5000

SUBSIDIARY NAME	CITY	ACQUIRED	DEPOSITS
1 Liberty State Bank & Trust	Hamtramck	13-Sep-71	$243,727
2 Liberty Bank - Oakland	Troy	01-Aug-83	62,457
			$306,184

8013 UNIVERSAL CORPORATION Date registered: 01-Aug-85
133 West Michigan Avenue Ypsilanti Michigan 48197
(313)482-5800

SUBSIDIARY NAME	CITY	ACQUIRED	DEPOSITS
1 The National Bank of Ypsilanti	Ypsilanti	01-Aug-85	$96,272

7119 WAKEFIELD BANCORPORATION, INC. Date registered: 31-Oct-83
402 Sunday Lake Street Box 465 Wakefield Michigan 49968
(906)224-9581

SUBSIDIARY NAME	CITY	ACQUIRED	DEPOSITS
1 The First National Bank of Wakefield	Wakefield	31-Oct-83	$21,470

BANK HOLDING COMPANIES AND MICHIGAN SUBSIDIARIES - Cont.
DECEMBER 31, 1985
(000's Omitted)

6963 WB FINANCIAL CORP. Date registered: 16-Aug-83
35215 Michigan Avenue West Box 804 Wayne Michigan 48184
(313)721-4151

	SUBSIDIARY NAME	CITY	ACQUIRED	DEPOSITS
1	Wayne Bank	Wayne	16-Aug-83	$69,510

5309 WEST SHORE BANK CORPORATION Date registered: 08-Feb-82
107 West State Street Box 278 Scottville Michigan 49454
(616)757-4751

	SUBSIDIARY NAME	CITY	ACQUIRED	DEPOSITS
1	State Savings Bank of Scottville	Scottville	08-Feb-82	$51,160

1404 WOODLAK COMPANY Date registered: 01-Jan-70
West Memorial Road Houghton Michigan 49931
(906)482-1171

	SUBSIDIARY NAME	CITY	ACQUIRED	DEPOSITS
1	Commercial National Bank of L'Anse	L'Anse	Prior to 1970	$30,099

STATE BANKS AS OF DECEMBER 31, 1985

(000's Omitted)

Location and Name of Bank	Cash and Due From Depository Institutions	Total Securities	Net Loans	Allowance for Loan Losses	Non-Interest Bearing Deposits	Interest Bearing Deposits	Total Capital**	Total Assets and/or Total Liabilities
Adrian--Adrian State Bank	8,209	10,098	41,597	451	9,521	48,459	4,720	63,980
*Adrian--Bank of Lenawee County	3,797	30,190	44,807	437	9,567	67,693	8,993	87,708
*Adrian--Commercial Savings Bank	9,995	41,575	70,410	609	17,838	108,760	9,392	139,041
Akron--Akron State Bank	1,459	1,320	10,719	272	1,541	15,782	1,214	18,694
Albion--Chemical Bank Albion	1,075	6,260	9,426	164	2,769	15,759	1,740	20,602
Alden--Alden State Bank	861	5,564	10,787	163	1,944	15,791	1,633	19,508
Algonac--The Algonac Savings Bank	3,484	30,524	32,973	278	6,921	54,129	7,002	71,056
Alma--Bank of Alma	8,185	2,779	77,771	970	12,852	95,890	13,029	122,666
Almont--Old Kent Bank of Almont	5,666	2,400	15,487	206	3,807	20,250	1,512	25,764
Alpena--First of America Bank - Alpena	15,787	28,727	60,693	1,274	14,476	96,040	8,096	121,097
Alpena--NBD Alpena Bank	4,085	45,514	63,770	897	11,941	101,311	7,595	122,537
Ann Arbor--Citizens Trust	9,112	82,928	158,106	1,975	69,760	199,179	16,158	291,791
*Ann Arbor--First of America Bank - Ann Arbor	40,171	81,638	270,273	3,286	85,756	279,542	27,936	414,256
Au Gres--Chemical Bank Au Gres	1,132	15,160	10,302	165	2,746	25,068	2,138	30,244
Bad Axe--NewCentury Bank-Thumb	9,677	25,473	58,113	2,329	9,023	83,883	6,526	100,635
Baldwin--Lake-Osceola State Bank	1,342	10,707	11,025	143	3,811	18,383	2,814	25,182
Bangor--The West Michigan Savings Bank	1,354	12,771	7,988	94	3,169	18,664	3,381	25,478
Battle Creek--Comerica Bank - Battle Creek	67,609	6,150	67,993	742	28,210	123,360	14,443	167,517
*Bay City--Manufacturers Bank of Bay City	22,156	17,209	67,128	469	21,447	80,304	7,754	111,594
Bay Port--Bay Port State Bank	1,863	551	6,528	95	1,244	8,824	718	10,909
Beaverton--Chemical Bank Gladwin County	2,039	17,309	16,157	294	3,412	32,274	3,332	39,280
Bellaire--Bellaire State Bank	3,342	4,857	17,587	297	3,697	23,056	2,343	29,444
Benton Harbor--Inter-City Bank	23,190	37,856	138,063	1,099	33,667	164,900	15,924	217,375
Berrien Springs (Oronoko Twp.)--Heritage Bank	1,454	286	5,706	83	857	6,339	721	7,999
Beulah--Central State Bank	1,514	3,707	10,714	108	2,399	15,531	[illegible]	18,884
Big Rapids--Old Kent Bank of Big Rapids	28,824	7,019	57,713	699	11,190	76,854	6,658	96,577
Bingham Farms--Fidelity Bank of Bingham Farms	4,112	4,985	1,563	31	3,669	7,516	1,090	12,382
Birmingham--Fidelity Bank of Michigan	5,164	13,736	35,322	417	16,660	34,117	3,587	60,050
*Blissfield--The Blissfield State Bank	3,227	13,935	18,332	174	4,201	41,056	2,806	38,454
Blissfield--The Jipson-Carter State Bank	1,069	11,182	14,894	341	2,241	25,554	2,463	30,629
*Breckenridge--Farmers State Bank of Breckenridge	1,358	7,540	34,702	625	3,810	43,936	4,951	53,294
Brighton--Michigan Bank-Livingston	3,448	3,776	42,428	655	12,953	41,000	3,407	58,571
Brighton--Old Kent Bank of Brighton	40,150	14,770	81,447	1,011	17,654	116,567	9,209	146,257
*Brown City--Brown City Savings Bank	1,782	3,662	12,179	197	1,817	17,198	1,577	20,803
*Byron Center-Byron Center State Bank	3,073	23,823	42,003	414	8,417	56,104	8,368	73,797
Cadillac--Chemical Bank West	2,773	18,662	29,966	345	7,348	49,838	4,059	53,204
Cadillac--NBD Cadillac Bank	7,212	37,530	129,902	1,419	15,733	155,636	10,581	185,273
Cadillac--Old Kent Bank of Cadillac	15,165	4,494	38,938	472	7,348	49,838	4,270	62,805
*Caledonia--State Bank of Caledonia	1,270	11,248	26,828	289	5,103	33,276	4,715	43,609
*Calumet--First of America Bank-Copper Country	3,329	19,098	32,058	420	5,171	46,691	4,181	56,667
*Capac--Capac State Savings Bank	2,476	17,437	33,197	570	3,532	48,348	5,724	58,306
Caro--The Peoples State Bank of Caro, Michigan	2,335	3,779	23,235	366	4,728	29,656	2,985	37,755
Caro--State Savings Bank of Caro	2,635	17,832	17,558	125	5,714	34,166	5,259	45,775
Carsonville--Exchange State Bank	1,167	14,650	19,331	175	3,032	35,269	3,693	42,623
*Cass City--The Cass City State Bank	1,567	3,378	11,721	436	2,296	16,214	723	19,387
*Cass City--Chemical Bank Cass City	1,269	9,816	11,835	145	1,877	21,881	1,989	26,153
Charlevoix--Charlevoix County State Bank	2,088	11,627	25,529	211	5,960	33,829	3,321	43,488
Charlevoix--First State Bank of Charlevoix	9,374	3,288	13,620	112	3,526	21,656	2,470	28,087
Charlotte--First of America Bank - Charlotte	827	9,823	11,341	142	3,625	17,669	1,777	23,487
*Cheboygan--First of America Bank-Straits Area	2,769	19,538	49,539	590	8,202	61,159	5,386	75,885
*Chelsea--Chelsea State Bank	7,140	35,737	32,806	310	7,267	65,578	8,895	83,397
*Clare--Chemical Bank Clare	8,249	53,444	49,044	1,032	10,739	92,690	8,649	115,039
Coldwater--Branch County Bank	10,053	25,488	62,878	600	13,688	78,775	8,166	106,223
*Coloma--The State Bank of Coloma	1,968	11,824	8,956	93	3,019	19,390	2,904	25,568
Coopersville--Manufacturers Bank of Coopersville	8,824	11,503	34,037	403	8,361	40,063	4,867	55,591
*Croswell--State Bank of Croswell	12,045	17,513	23,065	283	5,674	48,950	4,865	59,928
Curtis--Manistique Lakes Bank	510	5,105	5,620	35	1,035	10,038	1,018	12,277
*Dearborn--Dearborn Bank and Trust Company	13,290	76,343	116,002	1,056	36,642	162,094	15,097	218,805
Decatur--First State Bank of Decatur	1,157	4,402	10,332	116	1,952	13,117	1,736	17,024
Deckerville--Sanilac County Bank	1,449	8,722	23,163	445	3,986	30,567	2,549	38,708
Deerfield--First of America Bank - Deerfield	2,078	13,824	22,195	280	4,356	32,319	2,824	39,967
*Detroit--Comerica Bank - Detroit	1,042,659	1,287,589	4,642,956	50,700	1,100,266	4,687,324	424,554	7,323,882
Detroit--River Place Financial Corp	2,235	3,031	5,250	20	1,190	1,559	6,587	11,107

* Member Bank of the Federal Reserve System
** Includes Subordinated Notes and Debentures

STATE BANKS AS OF DECEMBER 31, 1985

(000's Omitted)

Location and Name of Bank	Cash and Due From Depository Institutions	Total Securities	Net Loans	Allowance for Loan Losses	Non-Interest Bearing Deposits	Interest Bearing Deposits	Total Capital**	Total [illegible]rs and/or Total Liabilities
Dowagiac--FMB-Community Bank..................	2,529	11,709	27,332	332	5,089	35,055	2,536	43,937
*Dundee--NBD Monroe County Bank..................	2,685	6,955	19,776	267	4,580	25,067	1,829	32,232
East Detroit--First State Bank of East Detroit	75,834	68,605	50,772	775	20,333	174,310	16,279	212,948
East Jordan--Northwestern State Bank..........	8,712	47,074	27,018	229	6,493	71,781	9,308	88,284
East Lansing--East Lansing State Bank.........	14,764	33,646	99,405	1,201	27,162	116,990	11,736	163,969
*East Tawas--Michigan Bank-Huron...............	4,619	16,280	24,550	433	6,849	43,362	3,985	54,716
Escanaba--State Bank of Escanaba.............	6,701	19,737	28,009	253	8,361	41,657	6,008	56,862
*Ewen--The State Bank of Ewen..................	969	6,704	9,962	191	2,473	13,102	2,576	18,429
Farwell--The Farwell State Savings Bank.......	1,173	10,747	18,560	122	3,308	25,988	3,910	33,505
Fenton--State Savings Bank of Fenton..........	7,596	39,304	60,264	614	13,746	86,481	8,219	112,380
*Flint--Citizens Commercial & Savings Bank.....	131,162	248,755	656,477	9,282	169,150	778,024	92,488	1,059,560
*Flint--Genesee Merchants Bank & Trust Co......	60,780	323,171	592,435	5,090	128,857	721,449	66,731	1,182,185
Flint Township--Republic Bank.................	212	3,486	7,690	102	3,946	7,340	1,260	13,371
Fowlerville--Community State Bank of Fowlerville	1,955	5,077	10,571	130	4,003	18,185	1,448	24,000
Frankenmuth--NewCentury Bank..................	22,222	76,831	186.429	9,017	30,273	259,019	11,963	308,077
Frankfort--State Savings Bank, Frankfort, Mich......................................	963	7,238	9,794	61	2,277	19,496	3,422	25,409
Fraser--The State Bank of Fraser.............	10,449	55,970	36,617	690	19,663	78,950	8,094	108,669
Freeland--Freeland State Bank................	1,847	11,996	12,994	117	3,267	24,037	2,298	30,106
*Fremont--Old Kent Bank of Fremont.............	8,036	3,315	32,023	410	4,584	38,083	1,849	45,895
*Fremont--The Old State Bank of Fremont........	4,292	8,555	27,895	772	5,651	37,173	2,298	45,024
*Gaylord--Old Kent Bank of Gaylord.............	31,214	4,222	66,782	806	11,880	87,149	7,069	107,152
Gladstone--Gladstone State Bank..............	3,872	6,178	14,275	94	2,886	21,026	2,424	26,595
Gladwin--First of America Bank - Mid Michigan.	3,563	29,238	57,123	704	9,562	75,185	6,738	93,007
Grand Blanc--Old Kent Bank of Grand Blanc.....	22,858	8,695	28,830	336	10,287	43,845	3,991	62,626
Grand Haven--Old Kent Bank of Grand Haven.....	69,483	12,869	131,890	1,667	24,835	175,619	15,093	221,761
Grand Haven--The Peoples Bank and Trust Company..................................	6,818	33,162	87,615	879	17,176	102,107	10,270	131,624
Grand Ledge--First of America Bank - Grand Lodge....................................	854	6,561	8,505	87	2,776	12,532	1,083	16,666
*Grand Rapids--Old Kent Bank and Trust Company.	808,988	414,626	1,083,255	11,092	351,825	1,691,976	139,944	2,495,678
Grand Rapids--United Bank of Michigan.........	4,211	18,710	50,134	457	8,800	60,180	6,749	77,296
*Grant--The Grant State Bank..................	718	3,523	7,777	144	1,822	12,891	942	15,786
Grayling--Chemical Bank North................	1,651	15,578	18,774	288	3,727	33,175	3,069	40,247
*Grayling--Grayling State Bank.................	5,867	11,665	17,814	364	4,314	30,940	2,677	38,374
*Greenville--Commercial Bank..................	7,910	8,651	34,689	549	6,044	42,571	6,202	55,130
Greenville--First State Bank of Greenville....	2,882	23,484	31,282	284	6,179	45,839	4,587	59,643
Gwinn--The Gwinn State Savings Bank...........	811	2,646	12,885	131	1,242	16,724	1,338	19,550
Hale--Farmers and Merchants State Bank of Hale	2,871	15,962	36,477	335	6,268	50,952	4,296	62,121
Hamtramck--Bank of Commerce..................	22,372	268,640	79,125	1,130	53,314	298,793	28,192	389,164
*Hamtramck--Liberty State Bank & Trust.........	19,214	63,029	176,011	1,763	58,254	185,473	21,112	280,044
Hamtramck--Peoples State Bank................	2,691	50,455	43,635	430	12,570	76,843	19,537	109,852
*Harbor Beach--First of America Bank - Huron...	1,959	13,695	12,538	195	1,749	24,637	2,414	29,114
*Harbor Springs--Harbor Springs State Bank.....	8,281	4,497	14,568	140	4,163	22,024	2,939	6,699
Hart--FMB-Oceana Bank........................	2,088	23,549	20,667	250	4,703	44,195	3,989	53,627
Hartford--First of America Bank - Van Buren...	4,460	10,815	20,276	276	5,058	27,960	2,658	37,393
Hastings--The Hastings City Bank..............	14,099	16,949	34,661	300	8,917	57,065	7,093	74,039
Hesperia--The State Bank of Hesperia..........	794	3,529	4,886	12	1,625	7,260	1,643	10,648
Highland Park--Automotive Financial Services, Inc.............................	30,546	-0-	-0-	-0-	14,257	15,000	1,480	30,760
Hillman--Hillman State Bank..................	2,163	3,502	6,744	120	1,810	10,167	1,142	13,259
*Hillsdale--Old Kent Bank of Hillsdale.........	26,231	8,081	44,293	580	8,103	66,234	5,866	82,095
Holland--Old Kent Bank of Holland............	28,911	20,693	153,035	1,850	25,116	174,387	14,136	220,761
Honor--The Honor State Bank..................	821	11,051	17,291	96	2,855	25,343	2,534	31,064
Howell--NewCentury Bank-Metro West...........	10,653	15,839	63,790	572	11,632	73,368	6,528	93,977
Hudson--Hudson State Savings Bank............	1,213	19,531	12,950	231	2,983	34,403	3,556	41,440
Hudson--Thompson Savings Bank................	796	20,515	13,718	199	2,793	32,431	3,578	39,240
Hudsonville-Bank of Hudsonville..............	1,767	3,377	15,928	137	4,049	17,162	1,651	23,093
Imlay City--Security Bank Imlay City..........	7,038	14,488	16,909	422	3,238	33,684	2,586	39,996
Ionia--First Security Bank...................	6,348	22,142	70,447	639	9,298	86,409	7,834	105,060
Iron River--The Miners' State Bank of Iron River.....................	922	9,737	6,504	64	1,393	14,901	1,805	18,212
*Ishpeming--The Peninsula Bank................	2,770	13,594	21,264	201	3,123	32,515	3,549	39,601
Jackson--Michigan Bank-Midwest...............	5,607	7,258	68,785	860	13,380	67,254	5,008	88,571
Kalamazoo-Comerica Bank - Kalamazoo..........	61,322	21,732	131,197	1,198	49,384	165,727	6,008	234,406

* Member Bank of the Federal Reserve System
** Includes Subordinated Notes and Debentures

STATE BANKS AS OF DECEMBER 31, 1985

(000's Omitted)

Location and Name of Bank	Cash and Due From Depository Institutions	Total Securities	Net Loans	Allowance for Loan Losses	Non-Interest Bearing Deposits	Interest Bearing Deposits	Total Capital**	Total Assets and/or Total Liabilities
*Kalamazoo--Old Kent Bank of Kalamazoo	12,326	237	14,797	195	2,604	17,997	14,953	27,899
*Kent City--Kent City State Bank	3,814	8,837	26,236	35	4,751	34,155	3,198	42,764
*Kentwood--Old Kent Bank of Kentwood	11,996	922	2,641	69	3,505	13,680	1,543	19,394
*Kingston--The Kingston State Bank	2,185	7,347	17,940	190	2,617	26,225	2,069	31,358
Lake Odessa--Union Bank	1,267	10,515	18,854	415	3,224	26,526	3,171	33,413
*Lakeview--Bank of Lakeview	3,100	10,264	28,768	279	4,294	38,912	3,160	47,355
Lansing--Bank of Lansing	75,857	45,386	162,830	1,746	77,829	170,244	18,131	297,588
*Lansing--First of America Bank - Central	47,203	112,660	271,680	3,610	91,787	306,926	30,213	444,167
Lansing--NBD Commerce Bank	8,194	31,760	36,079	481	22,336	45,764	5,283	84,260
*Lapeer--Lapeer County Bank & Trust Co.	6,162	27,865	70,636	691	17,228	88,408	7,772	114,808
*Leslie--Independent Bank-South Michigan	4,932	8,241	29,810	314	4,298	40,740	3,765	49,417
Lewiston--Lewiston State Bank	3,634	20,355	21,411	598	3,125	42,168	4,598	50,622
Litchfield--Michigan Bank-Mid South	6,363	3,306	39,978	385	6,692	47,053	3,883	58,898
*Livonia--Comerica Bank - Livonia	102,693	13,490	35,852	517	14,957	125,718	9,295	152,761
*Livonia--Manufacturers Bank of Livonia	45,756	7,287	20,281	207	16,978	83,326	5,623	108,251
*Lowell--State Savings Bank	4,452	12,162	38,173	173	6,886	47,577	6,045	61,464
Ludington--Ludington Bank and Trust Company	3,170	15,540	23,857	351	5,417	35,084	3,345	44,316
Mancelona--Antrim County State Bank	927	7,337	13,514	142	3,029	22,343	2,360	27,993
*Manistee--Manistee Bank & Trust Co.	5,365	35,740	58,159	590	9,225	87,894	7,072	105,444
*Manistique--The State Savings Bank of Manistique	2,842	22,788	10,826	102	3,196	30,306	2,891	38,107
*Marcellus--G. W. Jones Exchange Bank	642	1,693	4,434	46	2,509	5,650	553	9,010
Marshall--Chemical Bank Marshall	1,078	4,779	10,545	135	2,941	13,960	1,510	18,636
Mason--Mason State Bank	6,653	11,147	38,103	517	5,850	47,329	4,137	58,535
Mayville--Mayville State Bank	708	7,574	14,703	159	2,083	21,691	2,220	26,409
*Menominee--First of America Bank - Menominee	2,102	7,219	24,212	293	3,124	29,428	2,501	35,510
*Midland--Chemical Bank and Trust Company	45,962	157,450	173,493	2,052	37,272	325,253	32,396	411,144
Midland--Comerica Bank - Midland	27,094	8,296	65,607	672	17,296	87,224	7,445	113,909
Monroe (Frenchtown Twp.)--Erie State Bank	6,441	6,650	33,919	254	6,106	40,490	3,702	51,537
Monroe--Monroe Bank & Trust	22,929	119,208	169,028	2,000	42,008	255,776	29,044	329,762
*Monroe--Security Bank of Monroe	28,342	61,961	123,424	1,597	17,967	181,192	16,008	224,084
Montrose--The Montrose State Bank	1,209	10,285	13,569	154	3,345	22,284	2,561	28,470
Morley--The Morley State Bank	328	814	817	19	320	1,838	196	2,386
Mount Clemens--Mount Clemens Bank	13,430	64,560	156,367	1,538	45,167	192,177	17,023	259,371
*Mount Pleasant--Isabella Bank and Trust	7,093	33,539	84,937	936	19,800	114,095	9,854	145,340
*Mount Pleasant--NewCentury Bank-Mt. Pleasant	6,665	17,905	53,040	1,247	10,439	60,232	5,030	81,845
Munising--Peoples State Bank of Munising	1,264	2,918	14,768	118	2,057	16,560	1,468	20,267
Munith--Farmers State Bank of Munith	753	4,771	8,716	28	1,353	14,462	1,704	17,634
Muskegon--First of America Bank - Muskegon	14,658	64,807	159,128	2,051	23,508	197,022	16,859	244,865
Muskegon--FMB-Lumberman's Bank	13,703	62,761	105,332	1,306	23,114	140,125	12,416	190,908
New Baltimore--Citizens State Savings Bank	2,087	27,368	9,561	160	5,035	32,065	3,879	41,408
Newberry--The Newberry State Bank	1,655	14,335	11,853	112	3,219	25,646	2,881	31,994
Niles--Old Kent Bank-Southeast	69,925	20,361	150,526	2,168	35,041	197,828	17,789	257,954
*North Branch--Pioneer Bank	542	719	7,859	77	1,151	11,001	1,080	13,376
Novi--Manufacturers Bank of Novi	15,494	3,219	7,579	90	4,545	20,995	1,685	27,597
Novi--Security Bank Oakland County	7,058	4,536	30,052	588	10,749	32,165	2,782	46,184
*Onsted--The Onsted State Bank	2,315	6,621	9,366	102	2,576	16,740	1,208	20,890
*Ontonagon--The Citizens State Bank of Ontonagon	1,476	10,442	10,628	130	2,527	19,159	2,510	24,454
Oscoda--NewCentury Bank-AuSable	4,252	7,025	21,133	355	4,303	29,029	2,541	36,748
Owosso--Key State Bank	5,656	33,608	158,650	2,090	10,785	60,575	5,044	77,477
Owosso--Old Kent Bank-Central	43,826	18,383	47,393	600	2,433	190,044	16,515	244,459
Oxford--Oxford Bank	3,360	21,999	43,421	634	9,120	61,862	5,102	77,416
*Petoskey--Old Kent Bank of Petoskey	15,328	10,698	70,546	829	11,126	79,045	6,634	99,376
Pontiac--Pontiac State Bank	129,583	188,445	275,599	2,695	97,047	470,162	37,591	623,228
Port Austin--The Port Austin State Bank	1,063	5,151	6,730	78	1,260	12,355	1,340	15,111
Port Hope--The State Bank of Port Hope	880	5,071	7,098	150	828	13,369	1,363	15,761
*Port Huron--Michigan Bank-Port Huron	16,633	44,184	231,783	2,592	38,613	247,857	21,973	334,325
Port Huron--Peoples Bank of Port Huron	11,236	55,232	157,388	1,145	30,722	191,127	18,270	242,592
Portage--NBD Portage Bank	3,711	1,506	10,179	188	6,536	10,754	1,371	18,745
Portland--Maynard-Allen State Bank	2,811	14,265	28,051	149	6,361	39,187	5,641	51,802
Reed City--The Reed City State Bank	2,177	23,535	15,168	187	5,447	33,374	5,607	44,994
*Richmond--Macomb County Bank	2,929	5,819	24,365	244	4,335	37,108	1,889	44,156
*Richmond--Security Bank of Richmond	15,053	18,369	47,128	600	7,642	68,486	5,573	82,839
*River Rouge--River Rouge Savings Bank	5,128	3,127	9,814	172	4,875	12,686	1,399	19,167
Rockford--Independent Bank-West Michigan	8,183	5,536	49,009	425	7,804	53,713	4,326	66,865

* Member of the Federal Reserve System

** Includes Subordinated Notes and Debentures

STATE BANKS AS OF DECEMBER 31, 1985

(000's Omitted)

Location and Name of Bank	Cash and Due From Depository Institutions	Total Securities	Net Loans	Allowance for Loan Losses	Non-Interest Bearing Deposits	Interest Bearing Deposits	Total Capital**	Total Assets and/or Total Liabilities
Roger City--Presque Isle Bank	1,366	19,490	15,688	121	2,576	32,886	2,821	38,590
*Roscommon--NBD Roscommon Bank	5,238	45,628	74,918	454	13,373	115,719	9,073	140,170
Royal Oak--First of America Bank - Wayne Oakland	25,957	221,744	324,319	3,977	93,023	440,839	41,305	596,101
Rudyard--First of America Bank - Rudyard	711	4,125	7,746	95	1,593	11,864	1,002	14,540
Ruth--Ruth State Bank	331	15,228	8,228	335	1,504	21,749	2,930	26,430
Saginaw--NBD Saginaw	7,813	22,572	92,238	1,171	25,398	90,482	7,224	126,396
St. Charles--Community State Bank of St. Charles	1,866	12,714	28,045	343	2,513	42,061	3,950	49,489
St. Clair--The Commercial and Savings Bank of St. Clair County	7,407	51,623	76,992	863	15,192	112,841	13,921	144,576
St. Clair Shores--Manufacturers Bank of The Shores	28,413	10,878	21,856	286	10,283	54,880	4,075	70,448
*St. Clair Shores--Security Bank St. Clair Shores	17,938	29,323	33,807	500	14,209	63,287	5,580	84,467
St. Johns--Clinton Bank and Trust Company	4,605	58,988	60,192	837	19,733	106,837	10,086	139,692
St. Joseph--The Peoples State of St. Joseph	16,290	26,184	88,777	822	18,428	107,275	9,879	139,639
Saline--Manufacturers Bank of Saline	29,322	13,543	55,018	524	11,309	76,499	5,953	102,778
Sandusky--NBD Sandusky Bank	4,076	30,638	65,512	1,111	9,369	95,842	6,749	113,121
*Sault Ste. Marie--Central Savings Bank	2,728	5,655	31,550	292	6,354	36,664	3,696	47,148
Sault Ste. Marie--Sault Savings Bank	2,202	29,941	47,493	388	8,811	70,689	7,456	88,097
Schoolcraft--Kalamazoo County State Bank	1,735	8,531	23,128	168	5,135	28,623	2,484	36,605
Scottville--State Savings Bank of Scottville	2,587	18,875	31,048	322	6,129	45,031	5,161	56,892
*Sebewaing--First of America Bank - Bay Area	2,275	11,594	17,634	273	3,399	29,831	2,367	36,025
Shelby--The Shelby State Bank	3,808	19,570	31,226	345	6,141	47,043	5,066	58,871
Shepherd--Comerica Bank - Central	6,453	1,827	13,304	189	3,290	21,711	1,680	27,089
Sidney--Sidney State Bank	555	7,755	13,556	137	1,905	18,553	2,541	23,261
*South Haven--Citizens Trust and Savings Bank	12,200	19,905	86,902	1,122	12,724	104,897	10,795	130,476
South Lyon--The State Savings Bank of South Lyon	3,407	14,770	17,765	680	8,648	28,084	2,322	39,239
South Range--South Range State Bank	2,017	4,624	11,921	205	1,561	16,737	1,370	19,850
*Southfield--Comerica Bank - Southfield	127,725	31,639	25,150	253	34,162	146,877	68,311	197,922
Southfield--Fidelity Bank of Southfield	8,454	6,640	3,459	41	11,312	13,016	1,952	26,417
*Southgate--Security Bank and Trust Company	139,782	186,468	716,698	8,235	109,290	827,115	12,264	1,075,167
*Sparta--Sparta State Bank	2,972	27,816	35,902	365	7,016	53,972	6,489	68,928
Stambaugh--First of America Bank-Iron County	810	4,196	15,620	200	1,788	17,809	1,516	21,512
Standish--State Bank of Standish	4,423	30,349	61,457	784	7,818	86,829	9,039	104,686
Stanton--Chemical Bank Montcalm	4,440	29,616	32,320	583	7,686	57,462	6,638	72,815
Stephenson--Bank of Stephenson	1,834	28,318	21,000	201	3,923	43,134	5,022	52,750
Stockbridge--Stockbridge State Bank	7,669	12,725	9,046	128	9,480	21,862	2,743	34,461
*Sturgis--The Citizens State Bank	4,903	54,292	47,064	617	14,130	86,943	10,789	114,667
Tecumseh--United Savings Bank of Tecumseh	11,297	36,301	79,595	701	16,093	106,548	10,430	136,463
Three Oaks--The Bank of Three Oaks	1,921	7,511	42,405	507	6,656	43,244	3,578	56,609
Traverse City--Old Kent Bank-Grand Traverse	49,661	25,811	205,703	2,701	49,732	215,049	19,659	292,653
Trenary--Trenary State Bank	404	2,226	7,313	74	1,058	9,812	899	12,024
Trenton--Old Kent Bank-Southeast	107,290	28,208	88,283	1,291	27,775	182,437	17,198	231,913
Trenton--Trenton Bank and Trust Company	8,930	44,098	62,034	570	14,460	101,493	8,077	126,520
*Troy--Comerica Bank - Troy	104,149	25,806	35,076	340	39,247	138,294	11,312	192,177
Troy--Fidelity Bank of Troy	1,947	1,367	1,497	20	1,161	2,972	998	5,190
Troy--First of America Bank - Troy	4,457	20,762	24,403	334	13,876	32,565	3,754	53,850
*Troy--Liberty Bank - Oakland	6,701	16,795	40,270	334	21,384	41,073	4,300	68,428
Unionville--American Home Bank	3,149	5,525	23,948	416	3,576	30,374	2,164	36,354
*Warren--Warren Bank	10,522	170,064	46,288	770	24,227	187,575	19,193	244,410
*Wayne--Wayne Bank	10,547	19,061	43,939	559	16,337	53,173	6,821	82,041
*West Branch--NewCentury Bank-West Branch	6,554	12,102	43,651	549	5,885	51,328	4,915	64,451
White Cloud--The First State Bank, White Cloud, Michigan	903	2,261	22,807	153	2,282	23,390	2,904	28,759
*Williamston--Peoples State Bank	8,680	8,302	27,372	153	5,662	37,110	3,078	46,254
*Wyandotte--Wyandotte Savings Bank	106,806	91,969	136,102	837	33,762	281,251	28,984	348,143
*Ypsilanti--Ypsilanti Savings Bank	6,068	33,226	68,855	830	7,718	103,477	8,281	124,483
Zeeland--FMB-First Michigan Bank	27,901	111,160	246,711	3,115	50,555	295,751	25,646	401,051

* Member of the Federal Reserve System
** Includes Subordinated Notes and Debentures

NATIONAL BANKS AS OF DECEMBER 31, 1985

(000's Omitted)

Location and Name of Bank	Cash and Due From Depository Institutions	Total Securities	Net Loans	Allowance for Loan Losses	Non-Interest Bearing Deposits	Interest Bearing Deposits	Total Capital**	Total Assets and/or Total Liabilities
Allegan--The American National Bank in Western Michigan	1,889	2,090	28,293	318	6,881	29,637	2,949	40,209
Alma--Commercial National Bank	5,247	16,278	74,143	1,191	14,720	87,934	9,202	114,384
Ann Arbor--Comerica Bank-Ann Arbor, N.A.	45,031	12,990	105,662	969	35,570	126,748	10,976	175,807
Ann Arbor--Michigan National Bank-Ann Arbor	4,126	6,520	40,420	480	11,155	44,078	3,920	60,653
Ann Arbor--NBD Ann Arbor, N.A.	24,088	74,035	187,937	2,441	58,931	219,163	16,888	299,298
Bad Axe--First National Bank of Bad Axe	10,516	4,960	44,101	478	8,138	54,639	4,524	67,698
Battle Creek--The American National Bank in Battle Creek	1,018	5,887	22,470	351	7,622	25,294	2,453	36,009
Bay City--NewCentury Bank-Bay City, N.A.	37,205	81,027	230,953	2,939	34,896	285,114	27,396	369,922
Bay City--Second National Bank of Bay City	5,743	5,672	46,984	498	11,341	48,780	3,570	66,951
Benton Harbor--NBD F&M Bank, N.A.	11,091	40,080	140,037	1,485	31,195	154,627	11,471	202,696
Bessemer--The Bessemer National Bank	1,147	16,057	5,128	60	2,628	17,521	4,249	24,624
Big Rapids--First National Bank and Trust	2,910	24,351	25,475	263	7,694	49,360	4,632	62,929
Calumet--First National Bank of Calumet-Lake Linden	4,420	8,369	7,237	104	2,540	16,059	1,635	20,411
Cassopolis--Michigan National Bank-Michiana	18,307	12,513	105,868	1,844	18,013	117,766	8,149	148,366
Cheboygan--Citizens National Bank of Cheboygan	5,090	16,877	66,793	523	10,713	81,986	7,516	101,222
Coldwater--Southern Michigan National Bank	6,755	28,282	70,080	885	16,507	84,356	9,448	111,988
Crystal Falls--First National Bank of Crystal Falls	9,603	6,340	21,959	197	3,056	33,377	3,082	39,962
Dearborn--Michigan National Bank-South Metro	20,260	45,643	174,174	1,590	33,510	188,289	16,514	247,925
Dearborn--NBD Dearborn Bank, N.A.	5,104	26,211	25,933	409	17,428	36,553	3,575	60,476
Detroit--First Independence National Bank of Detroit	8,029	34,087	19,602	394	21,691	39,500	4,349	70,828
Detroit--First of America Bank-Detroit, N.A.	138,792	162,322	731,388	14,106	243,865	645,630	59,920	1,074,346
Detroit--Manufacturers National Bank of Detroit	1,299,886	617,362	3,622,335	50,768	1,273,982	3,480,181	315,896	6,127,396
Detroit--Michigan National Bank of Detroit	168,205	325,219	1,478,743	16,339	365,519	1,147,906	111,606	2,051,443
Detroit--National Bank of Detroit	2,192,977	2,667,840	6,559,118	73,456	2,530,379	6,421,329	850,381	12,974,704
East Lansing--First National Bank of Michigan	11,279	8,458	36,508	490	6,884	45,285	4,744	59,246
Escanaba--First National Bank and Trust Company	4,514	15,035	68,891	970	10,928	79,621	7,167	98,629
Evart--NBD Evart Bank, N.A.	665	8,948	19,912	212	2,654	26,095	2,157	31,763
Farmington Hills--Metropolitan National Bank of Farmington	20,371	1,537	14,605	285	11,424	24,027	2,696	38,728
Farmington Hills--Michigan National Bank-Farmington	6,081	2,315	30,477	308	8,734	40,320	2,903	53,575
Fenton--First National Bank of Fenton	4,242	23,082	43,500	517	6,381	64,634	5,122	76,907
Flint--Michigan National Bank-Mid Michigan	29,574	37,482	242,203	2,568	43,287	233,539	21,939	323,804
Frankfort--Benzie National Bank	1,727	737	5,728	26	850	8,647	764	10,307
Gaylord--First National Bank of Gaylord	2,523	5,252	15,580	131	3,115	22,050	1,782	27,273
Gladstone--First National Bank in Gladstone	3,276	5,037	12,874	131	2,095	19,892	1,804	24,022
Grand Rapids--First of America Bank-Grand Rapids, N.A.	2,288	6,548	23,512	317	7,150	25,359	2,366	36,229
Grand Rapids--FMB-First Michigan Bank-Metro	5,004	12,153	41,009	672	8,898	44,469	3,921	62,566
Grand Rapids--Union Bank and Trust Company, N.A.	106,934	209,544	435,845	3,954	139,553	553,288	55,756	784,457
Grandville--NBD Grand Valley Bank, N.A.	7,889	15,019	70,918	910	22,206	70,344	5,260	99,020
Grosse Pointe--Comerica Bank-Grosse Pointe, N.A.	35,835	1,406	4,658	48	3,972	38,661	2,864	46,138
Hancock--The Superior National Bank and Trust Company of Hancock	5,956	18,298	34,807	325	9,678	46,565	4,817	63,523
Hastings--National Bank of Hastings	3,115	8,859	10,822	109	4,486	16,206	2,921	23,892
Hermansville--The First National Bank of Hermansville	1,493	2,714	12,747	173	1,987	16,097	1,387	19,717
Hillsdale--Hillsdale County National Bank	3,986	30,904	48,545	574	10,147	68,474	8,354	87,648
Holland--First of America Bank-Holland, N.A.	5,377	29,983	65,308	772	9,463	79,271	7,639	103,547
Houghton--Houghton National Bank	9,908	7,321	21,846	190	6,552	32,222	4,087	43,203
Howell--First National Bank in Howell	4,968	26,292	45,342	561	12,941	61,205	5,495	80,666
Ionia--The Ionia County National Bank of Ionia	2,889	18,177	51,090	516	9,436	67,281	6,275	83,750
Iron Mountain--Commercial National Bank & Trust Co.	4,753	12,522	38,181	176	11,456	48,139	6,592	67,861
Iron Mountain--The First National Bank of Iron Mountain	3,175	23,757	44,317	270	11,998	59,090	7,287	81,212
Iron River--The Iron River National Bank	2,162	6,277	23,636	253	3,412	32,440	2,338	38,515

**Includes Subordinated Notes and Debentures

NATIONAL BANKS AS OF DECEMBER 31, 1985

(000's Omitted)

Location and Name of Bank	Cash and Due From Depository Institutions	Total Securities	Net Loans	Allowance for Loan Losses	Non-Interest Bearing Deposits	Interest Bearing Deposits	Total Capital**	Total Assets and/or Total Liabilities
Ironwood--First National Bank of Ironwood......	3,119	14,534	37,613	384	5,346	51,763	4,116	62,122
Ironwood--First of America Bank-Gogebic, N.A...	2,659	14,298	27,888	353	4,001	38,853	3,551	49,335
Ishpeming--The Miners' First National Bank & Trust Company of Ishpeming.................	4,404	13,335	39,634	408	5,683	53,017	5,625	65,105
Jackson--City Bank and Trust Company, N.A......	21,116	202,991	102,987	1,790	51,068	253,583	32,762	342,042
Jackson--Comerica Bank-Jackson, N.A............	107,144	73,521	147,283	1,336	59,782	240,052	27,503	339,033
Kalamazoo--The American National Bank and Trust Company of Michigan..................	37,930	95,219	263,237	3,579	76,593	279,476	26,111	411,941
Kalamazoo--First of America Bank-Michigan, N.A............................	45,103	224,159	521,073	6,218	141,413	555,426	53,967	829,446
Kalamazoo--Michigan National Bank-West.........	10,733	4,897	52,695	1,051	11,360	57,[illegible]56	4,196	77,035
Kentwood--Comerica Bank-Kentwood, N.A..........	24,786	4,333	18,759	182	10,889	41,610	3,469	56,419
L'Anse--Commercial National Bank of L'Anse.....	9,876	8,335	13,269	144	3,773	26,326	2,585	33,033
Lansing--Capitol National Bank.................	6,456	4,682	13,877	62	4,438	21,421	1,559	27,672
Lansing--Comerica Bank-Lansing, N.A............	2,061	162	2,535	22	2,405	1,444	1,853	5,728
Lansing--Michigan National Bank................	176,174	251,795	1,215,057	30,559	284,831	1,221,943	98,555	1,776,065
Lansing--Old Kent Bank of Lansing, N.A.........	12,709	344	17,231	212	4,647	23,724	1,838	30,991
Lapeer--NewCentury Bank-Lapeer, N.A............	5,189	13,713	66,697	3,053	13,202	74,659	1,169	92,877
Livonia--Michigan National Bank-West Metro.....	19,529	68,303	224,989	2,274	60,800	250,932	22,884	348,371
Ludington--First of America Bank-Ludington, N.A............................	1,824	14,799	37,731	461	7,349	44,726	4,062	57,169
Madison Heights--The Madison National Bank.....	8,923	8,687	24,335	595	10,604	32,162	3,835	47,141
Manistee--Security National Bank of Manistee...	6,569	26,129	49,834	458	8,802	77,827	8,191	95,682
Manistique--The First National Bank at Manistique................................	1,959	9,830	22,492	185	3,825	29,078	3,876	37,350
Marquette--The First National Bank & Trust Company of Marquette......................	9,678	8,004	117,117	1,204	19,111	125,711	13,138	160,128
Marquette--First of America Bank-Marquette, N.A............................	3,467	10,309	41,132	543	7,989	44,699	3,906	58,309
Mason--The Dart National Bank of Mason.........	4,621	34,008	38,031	402	10,744	64,975	5,301	81,969
Menominee--First National Bank and Trust of Menominee..............................	3,050	15,309	35,850	392	9,164	47,867	4,113	61,825
Midland--Michigan National Bank-Valley.........	18,952	12,423	137,408	1,390	20,144	148,451	13,370	190,117
Mount Clemens--First National Bank in Mount Clemens.............................	14,667	79,089	111,955	1,532	45,692	174,667	16,451	240,291
Munising--First of America Bank-Alger, N.A.....	867	5,844	11,932	147	1,671	16,448	1,405	19,763
Muskegon--Comerica Bank-Hackley, N.A...........	141,134	40,801	112,503	1,040	39,942	256,147	19,896	326,264
Negaunee--The First National Bank of Negaunee..	4,616	26,288	21,239	162	5,721	44,787	4,739	55,847
Niles--The American Bank of Niles, N.A.........	247	8,603	11,456	127	3,097	17,533	1,663	23,006
Norway--The First National Bank of Norway......	1,241	14,860	15,049	157	3,733	24,780	3,180	32,030
Novi--Comerica Bank-Metro West, N.A............	8,450	2,134	10,974	99	9,792	47,266	4,107	88,856
Novi--Michigan National Bank-West Oakland......	42,886	3,656	61,667	781	14,101	65,885	5,706	62,036
Ontonagon--The First National Bank in Ontonagon.................................	2,429	1,788	10,882	62	2,067	14,222	1,313	17,744
Petoskey--First National Bank and Trust Company...................................	11,039	43,389	66,970	608	13,521	100,815	9,282	126,392
Petoskey--Michigan National Bank-North.........	638	1,348	17,905	155	1,896	20,551	1,781	24,647
Pigeon--Thumb National Bank and Trust Company..	2,383	14,832	54,937	259	4,869	68,758	4,959	79,623
Plymouth--First of America Bank-Plymouth, N.A..	5,118	15,944	38,567	465	18,957	43,327	4,008	67,268
Pontiac--First of America Bank-Oakland Macomb..	33,179	272,090	265,937	3,500	99,831	426,205	40,731	610,989
Port Huron--NBD Port Huron Bank, N.A...........	1,140	2,126	17,462	216	2,358	17,856	1,606	22,079
Portage--The American National Bank in Portage.	1,503	7,894	16,037	176	5,560	22,047	1,994	30,203
Quincy--First of America Bank-South Central, N.A..	3,289	16,830	34,158	515	6,170	46,651	4,047	57,590
Rochester--First of America Bank-Rochester, N.A..	3,029	13,250	39,005	475	11,456	40,440	4,173	56,659
Rogers City--Huron National Bank...............	666	2,812	7,932	219	928	10,909	659	12,567
Royal Oak--National Bank of Royal Oak..........	5,315	33,042	47,566	430	15,769	68,116	6,775	91,585
Saginaw--Michigan National Bank-Valley.........	Included in Lansing							
Saginaw--Second National Bank of Saginaw.......	88,658	158,262	321,542	4,288	76,852	432,985	45,315	592,484
St. Ignace--The First National Bank of St. Ignace................................	1,958	16,695	30,139	299	7,804	40,730	4,683	53,830
St. Johns--Central National Bank of St.Johns...	3,018	33,926	30,534	464	8,101	53,020	5,628	69,273
Sault Ste. Marie--First of America Bank-Sault Ste. Marie, N.A.....................	3,160	10,881	22,448	274	4,994	30,547	2,697	38,625
Southfield--Manufacturers Bank of Southfield, N.A..	124,470	30,440	64,670	906	52,705	133,372	12,932	224,692
Southfield--Michigan National Bank-Oakland.....	33,494	33,928	376,930	3,589	118,898	340,042	32,629	506,599
South Haven--The American National Bank-West...	995	10,277	21,948	345	4,508	27,526	2,481	34,869

**Includes Subordinated Notes and Debentures

NATIONAL BANKS AS OF DECEMBER 31, 1985

(000's Omitted)

Location and Name of Bank	Cash and Due From Depository Institutions	Total Securities	Net Loans	Allowance for Loan Losses	Non-Interest Bearing Deposits	Interest Bearing Deposits	Total Capital**	Total Assets and/or Total Liabilities
Sterling Heights--Comerica Bank-Metro East, N.A.	95,100	11,463	10,128	97	14,840	111,430	8,248	137,217
Sterling Heights--Michigan National Bank-Sterling	8,701	3,609	67,567	615	12,456	66,032	4,940	86,330
Sturgis--First National Bank & Trust Company	14,600	26,909	38,511	338	11,649	62,370	6,094	86,840
Taylor--National Bank Wyandotte-Taylor	8,882	51,762	62,558	709	16,469	100,709	9,496	130,443
Three Rivers--The American Bank of Three Rivers, N.A.	1,437	6,803	17,236	236	2,726	24,122	2,146	29,512
Three Rivers--The First National Bank of Three Rivers	3,343	33,833	27,850	167	10,370	50,872	5,449	70,096
Traverse City--The Empire National Bank of Traverse City	17,871	29,279	121,150	1,325	25,651	134,951	12,581	178,501
Traverse City--Michigan National Bank-Grand Traverse	4,697	4,657	42,140	386	10,576	43,800	4,063	59,463
Traverse City--NBD Northwest Bank, N.A.	4,178	40,733	60,090	774	15,396	94,921	10,424	121,691
Troy--Michigan National Bank-North Metro	42,154	21,451	315,788	3,276	98,562	272,160	26,353	419,530
Troy--NBD Troy Bank, N.A.	5,748	30,590	27,063	404	18,883	43,308	4,671	67,988
Wakefield--The First National Bank of Wakefield	1,198	9,923	10,229	115	2,338	19,132	1,652	23,430
Warren--Comerica Bank-Warren, N.A.	231,372	33,522	51,012	585	33,500	269,531	19,849	330,426
Warren--Michigan National Bank of Macomb	15,796	16,032	170,162	1,466	40,603	159,511	13,611	220,642
West Branch--Comerica Bank-West Branch, N.A.	5,066	1,536	3,469	33	1,478	11,000	891	13,545
Wyoming--Michigan National Bank-Central	39,729	30,080	251,151	2,495	62,434	240,136	20,112	339,840
Ypsilanti--The National Bank of Ypsilanti	15,892	23,920	40,550	460	13,878	82,394	6,749	104,718

**Includes Subordinated Notes and Debentures

CREDIT UNION DIVISION

The Credit Union Division regulates and supervises state-chartered credit unions under the authority of Act 285 of the Public Acts of 1925, as amended (the Credit Union Act). Credit unions are cooperative societies incorporated for the purpose of promoting thrift and creating a source of credit for their members. All Michigan credit union member share and deposit accounts, with the exception of Central Credit Union of Michigan, are insured to $100,000.00 by the National Credit Union Administration (NCUA), an agency of the United States Government.

Supervision and Examination

The major regulatory function of the division is to insure that all state-chartered credit unions are operating in compliance with state and federal law and are in a financially safe and sound condition. Examinations are the primary means by which the division monitors the operations and financial condition of these institutions. Other responsibilities of the division include the close supervision of problem credit unions, investigating applications for new charters, processing credit union mergers and dissolutions, and responding to consumer complaints and inquiries involving credit unions.

During fiscal year 1985, the division examined all 480 Michigan state-chartered credit unions. This was the second consecutive year that all credit unions were examined. The number of examinations performed was, in part, the result of modifications in examination procedures which included the design of an "off-site limited scope examination procedure." This type of examination commences with a formal request to management of a credit union for specific information. This information is analyzed along with other externally generated information to determine the examination scope and assess the condition of the credit union. The division also conducted 184 on-site follow-up contacts in credit unions where problems were detected during the regular examination.

Problem Institutions

The number of problem institutions declined for the third year in a row. The total at year end 1985 was 71 compared to 86 at year end 1984, a reduction of 17%. Problem credit unions represent 15% of total credit unions compared to 17% for 1984 and 19% for 1983. As in 1984, earnings are the number one problem. Thirty-eight credit unions had losses in 1985 totaling $448,772 compared to 37 in 1984 for losses totaling $219,623. The losses in 1985 range from a low of $43 to a high of $106,240.

When a credit union rated code 3, 4 or 5 has acknowledged its problems and has agreed to make the necessary correction, a Memorandum of Understanding will be executed. This Memorandum, signed by the Board of Directors and the Commissioner, describes in detail the corrective action and time frame agreed to by the Board of Directors and the Bureau. During 1985, seventeen such Memoranda were implemented. The table below provides information pertaining to problem credit unions over the last five years.

	Total Credit Unions Supervised	Problems Removed	Problems Identified	Year-end Problems
1981	560	15	78	148
1982	531	24	17	136*
1983	516	47	10	99
1984	500	66	53	86
1985	480	59	44	71

*Figures reflect implementation of CAMEL rating system; code 3, 4 and 5 credit unions.

Legislation and Regulation

On December 19, 1985 the governor approved House Bill 5122 (Public Act 195). This legislation permits credit unions to act as trustees or custodians of retirement accounts or other accounts of its members permitting tax deferrals under federal or state law.

Legislation was introduced in 1985 that would have recodified the Michigan Credit Union Act (Act). The bill (House Bill 4044) was not enacted. A new bill is being proposed for introduction in 1986. This bill will modernize the existing act, provide Michigan's state-chartered credit unions with the power to keep pace with the rapidly changing financial marketplace, and provide the Bureau with additional regulatory powers to ensure that credit unions operate in a safe and sound manner.

During 1985, one policy bulletin clarifying the division's examination policies was sent to all state-chartered credit unions. Items addressed were the scope, frequency and priority of examinations.

Mergers and Dissolutions

Credit union mergers increased in 1985, after declining for the past two years. Thirty-five credit unions (including 15 federally-chartered) merged into other credit unions during 1985. This compares with 26 credit union mergers consummated in 1984 and 32 mergers in 1983. As in previous years, deteriorating financial condition caused some mergers. The majority of the mergers were effected to improve services to the credit unions' membership. All of the credit unions that merged had National Credit Union Administration (NCUA) insurance of accounts. Also, in some cases, NCUA guarantees protected the continuing credit union against possible losses resulting from a merger with a problem credit union. There were no voluntary or involuntary credit union dissolutions in Michigan during 1985.

Industry Trends

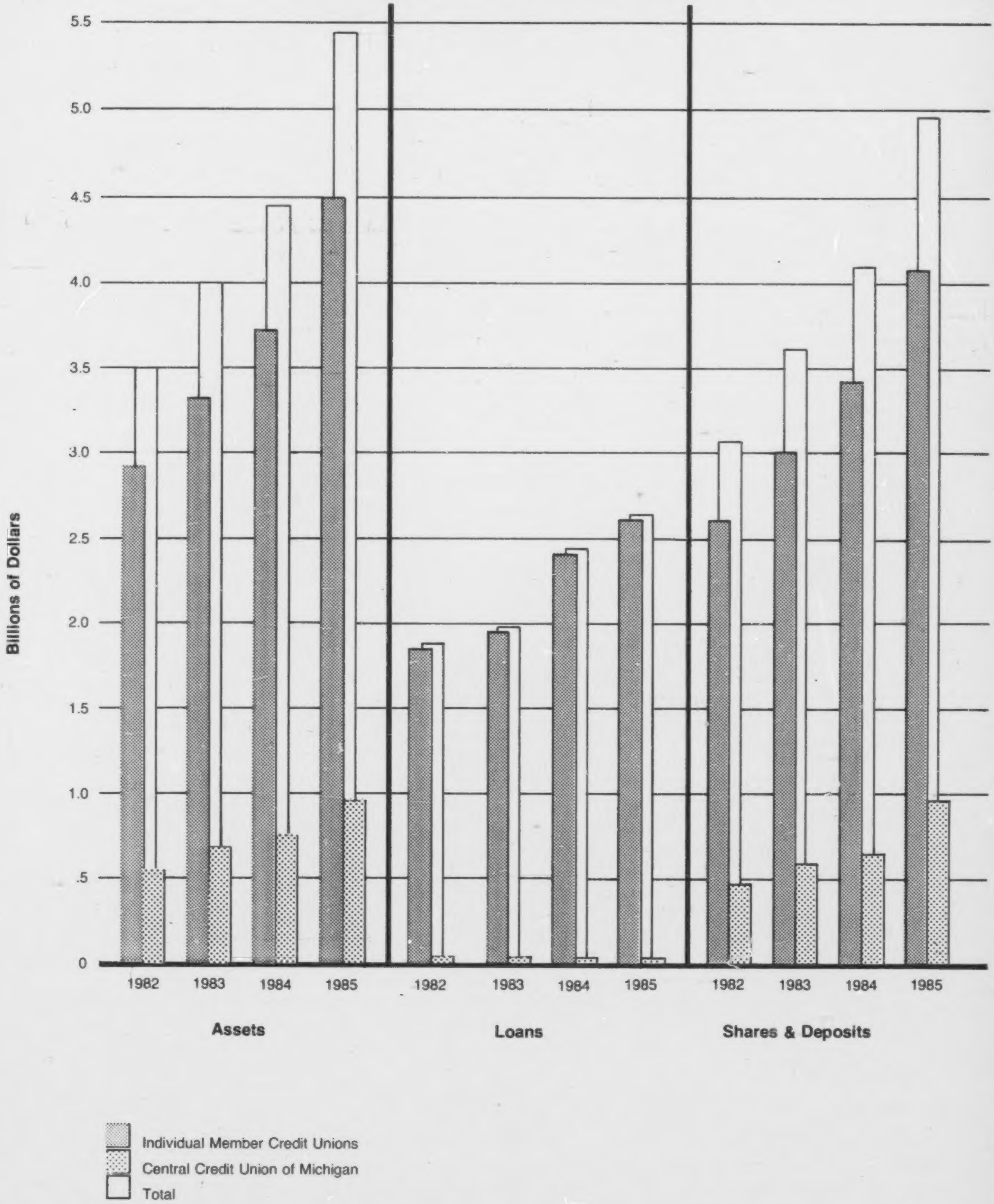
Assets of state-chartered credit unions reflected another year of rapid growth. Total assets (excluding Central Credit Union) increased $767 million or 20.6% during 1985 to a record high of $4.49 billion. Total savings increased 21.6% over 1984 to a record high of $4.09 billion. Twenty-two percent of the growth in savings occurred in IRA and other retirement savings accounts. This type of account now represents 9.5% of total state-chartered credit union savings accounts.
The growth in member loans slowed during 1985. Loan growth amounted to 11.2%, from $2.38 billion in outstanding loans as of December 31, 1984 to $2.65 billion in outstanding loans as of December 31, 1985. This slow growth can be attributed, in part, to the auto companies' below-market interest rate loan promotions during 1985, since a major generator of credit union loans is the financing of automobiles.

Net income, after the cost of funds and statutory reserve transfers, increased from $29.1 million in 1984 to $31.7 million in 1985. Loan delinquency (defined as loans delinquent two or more months) declined from 2.2% of total loans at year-end 1984 to 2.0% of total loans at year-end 1985.

These statistics point out that Michigan's state-chartered credit unions had another strong year during 1985. The number of credit unions continues to decline (from 560 as of December 31, 1981 to 480 as of December 31, 1985); savings, loans and equity accounts continue to increase.

Although the continued improvement in economic conditions contributed to credit unions' overall growth, a major reason for this growth is that credit unions continue to expand their fields of membership to include multiple employer groups.

COMPARATIVE CHART OF ASSETS, LOANS AND SHARES OF STATE CREDIT UNIONS IN MICHIGAN



CONSOLIDATED BALANCE SHEET OF STATE CREDIT UNIONS

(Excludes Central Credit Union of Michigan)

(000's Omitted)

	499 Credit Unions December 31, 1984	479 Credit Unions December 31, 1985	Percent Increase (Decrease)
ASSETS			
Loans			
Personal loans	$2,288,739	$2,536,998	10.8%
Loans to officials	26,952	28,939	7.4
Real estate loans	66,454	85,254	31.3
Allowance for loan losses	(16,992)	(19,432)	14.4
Investments			
U.S. Government obligations and Federal agency securities	175,882	204,095	16.0
Corporate central credit unions	491,030	674,074	43.0
Other credit unions	3,332	6,412	92.4
Commercial banks	315,086	451,877	32.0
Savings and loan associations and savings banks	61,827	65,424	5.8
Other investments	104,841	218,473	108.4
Cash and funds due from banks	89,343	107,313	20.1
Net fixed assets	84,863	92,198	8.7
Other assets	37,639	44,381	17.9
Total Assets	$3,728,996	$4,496,006	20.6%
LIABILITIES AND EQUITY			
Liabilities			
Notes payable	$ 18,340	$ 16,451	(10.3%)
Other liabilities	93,972	83,828	(10.8)
Savings			
Share and deposit certificates	304,691	316,577	3.9
Share and deposit drafts	260,385	324,645	24.7
IRA/Keogh and retirement accounts	266,460	427,285	60.4
Regular shares, deposits, other	2,529,606	3,021,812	19.5
Equity			
Regular/statutory reserves	120,151	137,903	14.8
Investment valuation reserve	6,362	3,501	(45.0)
Other reserves	45,995	51,402	11.8
Undivided earnings	83,034	112,602	35.6
Total Liabilities and Equity	$3,728,996	$4,496,006	20.6

CONSOLIDATED STATEMENT OF OPERATIONS OF STATE CREDIT UNIONS

(Excludes Central Credit Union of Michigan)

(000's Omitted)

	1984	1985	Percent Increase (Decrease)
Operating income			
Interest on loans	$307,688	$351,418	14.2%
Less: Interest refund	(6,636)	(7,133)	7.5
Income from investments	126,469	125,217	(1.0)
Other operating income	11,104	13,917	25.3
Gross income	438,625	483,419	10.2
Cost of funds			
Dividends	142,773	158,120	10.7
Interest on deposits	98,299	112,884	14.8
Interest on borrowings	3,301	1,585	(52.0)
Total Interest/Dividend Expense	244,373	272,589	11.5
Gross Earnings	194,252	210,830	8.5
Operating expense			
Employee compensation	51,803	57,790	11.6
Employee benefits	12,452	13,726	10.2
Cost of space	10,041	10,890	8.5
Office operations expense	23,504	28,799	22.5
Professional and outside services	10,701	11,785	10.1
Examination and supervision fees	1,446	1,865	28.9
Other operating expense	29,143	28,161	(3.4)
Total Operating Expense	139,090	153,016	10.0
Net Operating Income	55,162	57,814	4.8
Non-operating gains or losses (net)	633	1,138	79.8
Net Earnings	55,795	58,952	5.7
Required reserve allocation	26,734	27,231	1.9
Retained Earnings	$ 29,061	$ 31,721	9.2

CENTRAL CREDIT UNION OF MICHIGAN
Southfield, Michigan

(000's Omitted)

BALANCE SHEET

	December 31, 1984	December 31, 1985
ASSETS		
Loans		
Corporate member loans	$ 12,060	$ 5,648
Other loans	7,861	5,426
Investments		
U.S. Government obligations and Federal agency securities	80,957	81,033
U.S. Central Credit Union	615,190	848,771
Other investments	4,337	4,211
Cash and funds due from banks	13,323	16,926
Net fixed assets	149	129
Other assets	8,006	7,434
Total Assets	$741,833	$969,578
LIABILITIES AND EQUITY		
Liabilities		
Notes payable	74,430	44,020
Other liabilities	7,413	8,424
Savings		
Certificates	238,374	244,283
Daily shares	327,271	574,772
Corporate shares	642	- 0 -
Capital shares	71,241	71,556
Special deposits	628	565
Undistributed	11,707	14,250
Equity		
Regular/statutory reserve	908	908
Special reserves	8,746	10,277
Other reserves	513	513
Undivided earnings	10	10
Total Liabilities and Equity	$741,883	$969,578

STATEMENT OF OPERATIONS

	1984	1985
Operating income		
Interest on corporate member loans	$ 770	$ 443
Interest on other loans	846	573
Income from investments	73,240	74,303
Other operating income	5	46
Gross Income	$ 74,861	$ 75,365
Cost of funds		
Dividends-member accounts	66,512	65,695
Interest on borrowings	5,443	6,491
Other interest expense	60	56
Total Interest/Dividend Expense	$ 72,015	$ 72,242
Gross Earnings	2,846	3,123
Operating expense		
Employee compensation	342	409
Employee benefits	105	122
Cost of space	29	29
Office operations expense	298	307
Professional and outside services	248	276
Examination and supervision fees	47	55
Other operating expense	28	59
Total Operating Expense	1,097	1,257
Net Operating Income	1,749	1,866
Non-operating gains or losses (net)	0	(336)
Net Earnings	$ 1,749	$ 1,530

SIGNIFICANT FINANCIAL RATIOS OF STATE CREDIT UNIONS

(Excludes Central Credit Union of Michigan)

KEY OPERATING RATIOS	1981	1982	1983	1984	1985
Loan reserves/total loans	6.02%	6.05%	5.98%	5.76%	5.93%
Delinquent loans/total loans	4.11	3.71	2.75	2.23	2.06
Delinquent loans/loan reserves	68.23	61.29	45.95	38.81	34.75
Salary and benefits/income	15.92	15.83	16.02	14.63	14.76
Operating expense(-PLL)/income	33.69	33.42	34.74	31.66	33.01
Operating expense(-PLL)/total assets	4.15	3.95	3.87	3.73	3.56
Equity/total assets	6.38	6.35	6.13	6.75	6.72
Total loans/total assets	71.02	62.55	59.03	63.88	58.97
Total investments/total assets	26.24	33.61	37.70	33.29	38.43
Fixed assets/total assets	2.64	2.66	2.46	2.28	2.05
Total loans/total savings	80.33	69.82	65.43	70.87	64.82
Total borrowings/total savings	1.89	0.85	0.99	0.90	0.40
Average return on investments (income on investments/average investments outstanding)	11.74	11.04	8.55	9.75	8.23
Average cost of savings (interest & dividends/average total savings)	7.67	7.84	7.05	7.47	7.19
Average cost of borrowed money (interest on borrowings/average borrowings outstanding)	9.68	8.05	10.63	11.08	6.72
Average gross return on loans (Gross income on loans/average loans)	13.41	13.94	14.14	14.20	13.95
Average net return on loans (after interest refund) (Net income on loans/average loans)	13.22	13.67	13.84	13.90	13.67
DISTRIBUTION OF GROSS INCOME					
Interest refund to borrowers	1.11%	1.37%	1.50%	1.49%	1.45%
Operating expense(-PLL)	33.32	32.96	34.22	31.19	32.54
Interest on borrowings	1.53	0.75	0.75	0.74	0.32
Interest and dividend cost	53.57	54.83	54.01	54.06	55.12
Reserves	5.71	5.24	5.07	6.00	4.12
Retained earnings	4.76	4.85	4.45	6.52	6.45
Total	100.00%	100.00%	100.00%	100.00%	100.00%
EARNINGS ANALYSIS					
Gross return on assets (Gross income after interest refund/average assets)	12.49%	12.55%	11.60%	12.30%	11.67%
Less: Cost of funds	6.96	7.07	6.45	6.84	6.57
Equals: Gross spread	5.53	5.48	5.15	5.46	5.10
Less: Operating expenses(-PLL)	4.21	4.19	4.03	3.89	3.69
Required reserve transfers	.72	.67	.60	.75	.65
Equals: Net return on assets (Margin) (Net income/average assets)	.60	.62	.52	.82	.76

CLASSIFICATION OF STATE CREDIT UNIONS BY ASSET SIZE

(Excludes Central Credit Union of Michigan)

December 31, 1985

	Number of Credit Unions	Percentage In Group	Total Assets (000's Omitted)	Percentage In Group
$250,000 or less	26	5.43%	$ 3,711	.09%
$250,000 to $500.000	47	9.81	16,936	.38
$500,000 to $1,000,000	52	10.86	37,145	.83
$1,000,000 to $2,000,000	81	16.91	112,938	2.51
$2,000,000 to $5,000,000	86	17.96	273,896	6.09
$5,000,000 to $10,000,000	63	13.15	446,307	9.93
$10,000,000 to $20,000,000	71	14.82	1,010,635	22.47
$20,000,000 to $50,000,000	38	7.93	1,139,353	25.34
Over $50,000,000	15	3.13	1,455,085	32.36
Total	479	100.00%	$4,496,006	100.00%

STATISTICAL DATA OF STATE CREDIT UNIONS

(Excludes Central Credit Union of Michigan)

	1981	1982	1983	1984	1985
Number of credit unions	559	530	515	499	479
Number of credit union members	1,721,655	1,731,047	1,714,766	1,770,913	1,863,989
*Total assets	$2,594,481	$2,931,733	$3,309,223	$3,728,996	$4,496,006
*Total loans outstanding	$1,842,651	$1,833,800	$1,951,603	$2,365,152	$2,631,759
*Total savings (shares and deposits)	$2,293,721	$2,626,651	$2,985,502	$3,361,142	$4,090,319
Number of loans made during year	858,120	855,260	942,597	1,217,910	1,306,451
*Amount of loans made during year	$1,259,832	$1,219,008	$1,444,954	$1,827,471	$1,794,199
*Amount of loans over two-months past due at year end	$ 75,641	$ 67,977	$ 53,690	$ 53,222	$ 54,679
*Net charges to loan reserves	$ 17,046	$ 16,304	$ 11,551	$ 9,659	$ 9,168

*(000's omitted in dollar amounts)

CORPORATE CHANGES AND RELATED INFORMATION

	1981	1982	1983	1984	1985
Number of state credit unions	560	531	516	500	480
Number of federal credit unions	306	289	275	264	250
Number of state credit unions chartered	1	0	0	0	0
Number of federal credit unions chartered	1	1	3	0	1
Number of state credit unions closed - voluntary dissolution	0	1	0	0	0
Number of federal credit unions closed - voluntary dissolution	0	0	0	0	0
Number of state credit unions closed - involuntary dissolution	3	2	0	1	0
Number of federal credit unions closed - involuntary dissolution	1	3	0	0	0
Number of state credit unions merged into state credit unions	8	22	7	12	16
Number of federal credit unions merged into federal credit unions	6	6	11	8	9
Number of state credit unions merged into federal credit unions	3	4	8	3	4
Number of federal credit unions merged into state credit unions	16	9	6	3	6
Number of state credit unions converted to federal charter	0	0	0	0	0
Number of federal credit unions converted to state charter	1	0	0	0	0

CHANGES IN CORPORATE TITLE

Date of Change	From	To	City
April 1, 85	St. Regis Employee's Credit Union	METROCOM Area Credit Union	Battle Creek
Sept. 17, 85	Bay Medical Credit Union	Healthcare Family Credit Union	Bay City
June 5, 85	UAW-CIO Local 4 Credit Union	Extruded Metals Employees Credit Union	Belding
March 12, 85	Shiawassee County Teachers Credit Union	Shiawassee Community Credit Union	Corunna
Nov. 1, 85	Sinai Hospital of Detroit Credit Union	Sinai Health Services Credit Union	Detroit
March 12, 85	Ferndale Co-op Credit Union	Credit Union One	Ferndale
March 12, 85	School Employees Credit Union	Educators and Employees Credit Union	Jackson
April 4, 85	Educational Associates Credit Union	Educational and Associates Credit Union	Marysville
Nov. 20, 85	Huron Valley School Employees Credit Union	Huron Valley Schools Credit Union	Milford
Sept. 3, 85	Gentelco Credit Union	First General Credit Union	Muskegon
March 12, 85	Midland-Ross Owosso Employees Credit Union	Our Family Credit Union	Owosso
Nov. 1, 85	North Central Governmental Credit Union	North Central Area Credit Union	Roscommon
July 23, 85	Bus Transportation Credit Union	Northwood-Transportation Credit Union	Royal Oak
Sept. 3, 85	South Oakland Methodist Credit Union	United Christian Community Credit Union	Royal Oak
May 1, 85	Amalgamated Local 455 Credit Union	Amalgamated Credit Union	Saginaw
July 23, 85	St. Cyril Parish Credit Union	St. Cyril and St. Paschal Credit Union	Taylor
Dec. 3, 85	TEK-NI-KAL Employees Credit Union	Tek-Ni-Kal Credit Union	Warren
April 4, 85	G. R. O. H. Employees Credit Union	Metropolitan Hospital Credit Union	Wyoming
April 18, 85	Employees Credit Union of Spartan Stores, Inc.	Spartan Stores Credit Union	Wyoming

CREDIT UNIONS MERGED
UNDER PROVISIONS OF SECTION 4(s) AND 20a OF ACT 285, P.A. 1925, AS AMENDED

Date of Merger	Name of Credit Union	City
Sept. 3, 85	H. B. Sherman Employees' Credit Union Merged into Clark-Ralston Area Credit Union, Battle Creek	Battle Creek
June 18, 85	Bay City Electrical Workers Credit Union Merged into COPOCO Credit Union, Bay City	Bay City
Oct. 16, 85	Bay City Times Credit Union Merged into Communications Family Credit Union, Saginaw	Bay City
Dec. 20, 85	Service Employees Credit Union Merged into Co-op Services Credit Union, Dearborn	Detroit
Sept. 3, 85	Cass County School and Governmental Credit Union Merged into Berrien Teachers Credit Union, St. Joseph	Dowagiac
June 11, 85	Retail Store Employees Credit Union Merged into Motor City Co-op Credit Union, Detroit	Flint
Dec. 3, 85	Brunswick Credit Union Merged into Newaygo County School Employees Credit Union, Fremont	Fremont
Sept. 27, 85	Story & Clark Employees Credit Union Merged into Bastian-Blessing Employees Credit Union, Grand Haven	Grand Haven
Jan. 15, 85	Transit Employees Credit Union Merged into A. T. L. Employees Credit Union, Grand Rapids	Grand Rapids
Nov. 20, 85	Western Wayne Catholic Credit Union Merged into Wayne Westland Federal Credit Union, Wayne	Inkster
Sept. 17, 85	Dairy Workers Credit Union Merged into Federal Employees Credit Union, Lansing	Lansing
Nov. 1, 85	Thumb Credit Union Merged into Educational and Associates Credit Union, Marysville	Marlette
March 28, 85	Marysville Business Employees Credit Union Merged into Educational and Associates Credit Union, Marysville	Marysville
March 28, 85	Clarke Floor Machine Employees' Credit Union Merged into Kaydon Federal Credit Union, Muskegon	Muskegon
Dec. 20, 85	Johnson Products Employees Credit Union Merged into Sealed Power Employees Credit Union, Muskegon	Muskegon
Dec. 20, 85	Clinton Oakland Employees Credit Union Merged into Hospital and Health Services Credit Union, Ann Arbor	Pontiac
June 11, 85	Fabricon Products Employees Credit Union Merged into Downriver Community Federal Credit Union, Ecorse	River Rouge
April 18, 85	Shrine of the Little Flower Parish Credit Union Merged into Northwood Transportation Credit Union, Royal Oak	Royal Oak
Nov. 20, 85	Saginaw-West Catholic Credit Union Merged into Amalgamated Credit Union, Saginaw	Saginaw
June 28, 85	Woodhaven Mobil Credit Union Merged into WyChem Federal Credit Union, Wyandotte	Woodhaven

STATE CHARTERED CREDIT UNIONS AS OF DECEMBER 31, 1985

(000's Omitted)

City	Name of Credit Union	Total Assets	Total Shares and Deposits	Total Loans
ADA	AMWAY EMPLOYEES CREDIT UNION	6,697	5,962	5,587
ADRIAN	KEMCO CREDIT UNION	801	721	267
ADRIAN	LENCO ED CREDIT UNION	6,031	5,573	3,153
ALBION	AMICO CREDIT UNION	578	462	483
ALLEGAN	ALLEGAN COUNTY CATHOLIC CREDIT UNION	999	916	935
ALLEGAN	ALLEGAN TEACHERS CREDIT UNION	589	499	417
ALLEN PARK	ALLEN PARK PRESBYTERIAN CREDIT UNION	105	91	68
ALLEN PARK	ALLEN PARK VA CREDIT UNION	1,888	1,640	1,221
ALLEN PARK	CABRINI CREDIT UNION	23,043	21,019	7,334
ALMA	GRATIOT COMMUNITY CREDIT UNION	4,019	3,720	3,108
ALPENA	ABITIBI EMPLOYEES CREDIT UNION	4,132	3,787	3,101
ALPENA	ALPENA CATHOLIC CREDIT UNION	697	659	521
ALPENA	ALPENA COUNTY MEDICAL CREDIT UNION	2,838	2,606	1,769
ALPENA	ALPENA-ALCONA AREA CREDIT UNION	17,380	16,382	10,006
ALPENA	BESSER CREDIT UNION	12,969	12,207	9,795
ALPENA	H. P. C. CREDIT UNION	17,917	16,259	11,014
ALPENA	STONEPORT EMPLOYEES CREDIT UNION	1,227	1,091	1,087
ALPENA	TRI-CO CREDIT UNION	544	504	478
ANN ARBOR	HOSPITAL AND HEALTH SERVICES CREDIT UNION	47,132	42,690	26,746
ANN ARBOR	HURON RIVER AREA CREDIT UNION	22,718	20,253	14,248
ANN ARBOR	I. D. C. CREDIT UNION	3,527	3,115	2,428
ANN ARBOR	UNIVERSITY OF MICHIGAN CREDIT UNION	42,506	40,303	23,954
ATHENS	SIMPSON LEE EMPLOYEES CREDIT UNION	625	577	607
AU GRES	NORTHEASTERN COMMUNITY CREDIT UNION	781	659	384
BANGOR	DU-WEL EMPLOYEES CREDIT UNION	256	215	154
BATTLE CREEK	BATTLE CREEK BUILDING TRADES CREDIT UNION	1,861	1,697	1,356
BATTLE CREEK	BATTLE CREEK ENQUIRER CREDIT UNION	1,166	952	684
BATTLE CREEK	BATTLE CREEK POSTAL CREDIT UNION	1,633	1,425	1,273
BATTLE CREEK	CLARK-RALSTON AREA CREDIT UNION	32,333	28,626	13,501
BATTLE CREEK	GASCO CREDIT UNION	365	313	245
BATTLE CREEK	METROCOM AREA CREDIT UNION	3,440	3,260	2,070
BATTLE CREEK	POST EMPLOYEES CREDIT UNION	27,516	25,094	13,051
BATTLE CREEK	SCHOOL EMPLOYEES CREDIT UNION	16,924	15,949	11,007
BATTLE CREEK	WESTON BISCUIT EMPLOYEES CREDIT UNION	228	179	201
BAY CITY	BAY GOVERNMENTAL CREDIT UNION	6,463	5,768	3,906
BAY CITY	COPOCO CREDIT UNION	13,852	12,845	8,004
BAY CITY	HEALTHCARE FAMILY CREDIT UNION	4,143	3,811	2,812
BAY CITY	INDUSTRIAL BUSINESS CREDIT UNION	2,748	2,637	2,107
BAY CITY	RWC EMPLOYEES CREDIT UNION	2,173	1,855	1,648
BAY CITY	SCHOOL EMPLOYEES CREDIT UNION	23,323	20,949	11,437
BAY CITY	UNITED BAY CITY CREDIT UNION	30,759	28,775	15,782
BELDING	EXTRUDED METALS EMPLOYEES CREDIT UNION	495	345	390

STATE CHARTERED CREDIT UNIONS AS OF DECEMBER 31, 1985

(000's Omitted)

City	Name of Credit Union	Total Assets	Total Shares and Deposits	Total Loans
BENTON HARBOR	GAST EMPLOYEES CREDIT UNION	1,725	1,633	1,213
BERKLEY	BERKLEY LASALETTE COMMUNITY CREDIT UNION	11,395	10,986	5,713
BERKLEY	KNIGHTS OF PYTHIAS-DETROIT LODGE 55 CREDIT UNION	75	64	13
BIG RAPIDS	HANCHETT EMPLOYEES CREDIT UNION	318	261	233
BIRMINGHAM	BIRMINGHAM TEACHERS CREDIT UNION	10,898	10,413	5,634
BLISSFIELD	ST. PETERS PARISH CREDIT UNION	241	202	177
BLOOMFIELD HILLS	BLOOMFIELD HILLS SCHOOL EMPLOYEES CREDIT UNION	3,454	2,911	1,924
BRIDGEPORT	UNITED SAGINAW CREDIT UNION	9,001	8,582	6,017
BRUCE CROSSING	SETTLERS' CO-OPERATIVE CREDIT UNION	1,744	1,571	802
BUCHANAN	BUCHANAN FARMERS CREDIT UNION	9,308	7,598	3,747
BURTON	FAMILY COMMUNITY CREDIT UNION	13,290	12,636	7,953
CADILLAC	NORTHWESTERN PUBLIC EMPLOYEES CREDIT UNION	6,367	5,863	4,594
CADILLAC	WEXFORD COMMUNITY CREDIT UNION	9,191	8,832	7,234
CASS CITY	WALBRO EMPLOYEES CREDIT UNION	246	219	242
CEDARVILLE	PORT DOLOMITE CREDIT UNION	887	825	395
CENTER LINE	FATHER KRAMER CREDIT UNION	5,819	5,231	4,318
CENTER LINE	TRI-COUNTY VETERANS CREDIT UNION	731	482	410
CENTER LINE	WARREN SCHOOLS CREDIT UNION	47,329	43,696	21,947
CHARLOTTE	ALUMINUM CREDIT UNION	677	607	628
CHARLOTTE	EATON COUNTY EDUCATIONAL EMPLOYEES CREDIT UNION	9,233	8,138	4,672
CHESANING	CHRISTOPHER CREDIT UNION	889	729	578
CLARKSTON	CLARKSTON COMMUNITY SCHOOL EMPLOYEES CREDIT UNION	5,283	4,822	3,901
CLAWSON	C S E CREDIT UNION	15,405	13,711	7,679
CLAWSON	OAKLAND CATHOLIC CREDIT UNION	25,506	22,986	12,473
CLAWSON	ROYAL OAK POSTAL EMPLOYEES CREDIT UNION	764	600	572
COLDWATER	COLDWATER AREA CREDIT UNION	2,533	2,410	1,962
COMSTOCK PARK	G R BUILDING TRADES CREDIT UNION	8,254	7,879	4,574
CORUNNA	SHIAWASSEE COMMUNITY CREDIT UNION	8,983	8,398	6,046
CROSWELL	CROSWELL PICKLE CO. EMPLOYEES CREDIT UNION	311	253	234
CROSWELL	SANILAC COUNTY TEACHERS CREDIT UNION	1,078	982	921
CROSWELL	ST. PATRICK (CROSWELL) CREDIT UNION	398	270	328
DEARBORN	ACM EMPLOYEES CREDIT UNION	27,780	25,811	8,773
DEARBORN	CO-OP SERVICES CREDIT UNION	69,558	63,399	45,672
DEARBORN	DAIRYMEN'S CREDIT UNION	12,604	6,753	5,379
DEARBORN	DEARBORN CHURCHES CREDIT UNION	3,360	3,211	1,437
DEARBORN	DEARBORN MUNICIPAL EMPLOYEES CREDIT UNION, THE	3,033	2,895	1,627
DEARBORN	DEARBORN POSTAL EMPLOYEES CREDIT UNION	1,054	992	770
DEARBORN	DEARBORN SCHOOLS CREDIT UNION	29,540	26,468	9,851
DEARBORN	LATHERS CREDIT UNION	345	294	201
DEARBORN	PERE MARQUETTE EMPLOYES' CREDIT UNION	19,365	17,470	10,609
DEARBORN	ROUGE EMPLOYEES CREDIT UNION	16,232	13,660	14,894
DEARBORN HEIGHTS	DEARBORN HEIGHTS EMPLOYEES CREDIT UNION	393	357	205

STATE CHARTERED CREDIT UNIONS AS OF DECEMBER 31, 1985

(000's Omitted)

City	Name of Credit Union	Total Assets	Total Shares and Deposits	Total Loans
DEARBORN HEIGHTS	ST. LINUS CREDIT UNION	2,285	1,968	1,467
DETROIT	AMERICAN CREDIT UNION	4,004	3,037	3,152
DETROIT	AMEZ UNITED CREDIT UNION	190	156	89
DETROIT	ASSOCIATED BREWERY WORKERS CREDIT UNION OF GREATER DET., THE	17,636	15,949	9,995
DETROIT	BAKERY DRIVERS, SALESMEN, LOCAL NO. 51 CREDIT UNION	1,156	932	995
DETROIT	BETHEL BAPTIST CHURCH EAST CREDIT UNION	233	211	103
DETROIT	BLUE CROSS-BLUE SHIELD EMPLOYEES CREDIT UNION	4,101	3,666	2,974
DETROIT	BORMAN CREDIT UNION	15,426	14,190	9,355
DETROIT	CHAMPION EMPLOYEES CREDIT UNION	3,152	2,715	1,623
DETROIT	COMMUNICATING ARTS CREDIT UNION	12,933	12,112	8,153
DETROIT	CONTRAK CREDIT UNION	3,094	2,786	1,876
DETROIT	CRAFTSMAN CREDIT UNION	32,619	27,205	10,919
DETROIT	DANA DETROIT EMPLOYEES CREDIT UNION	337	303	308
DETROIT	DESIGNING ENGINEERS CREDIT UNION	13,169	11,971	7,220
DETROIT	DETROIT EDISON EMPLOYES CREDIT UNION, THE	121,019	111,136	75,655
DETROIT	DETROIT METHODIST CONFERENCE CREDIT UNION	3,123	2,950	1,938
DETROIT	DETROIT MUNICIPAL CREDIT UNION	145,192	136,093	57,783
DETROIT	DETROIT NEW CALVARY BAPTIST CHURCH CREDIT UNION	879	738	413
DETROIT	DETROIT POSTAL EMPLOYEES CREDIT UNION, THE	44,681	38,457	16,988
DETROIT	DETROIT TEACHERS CREDIT UNION	130,458	119,765	84,857
DETROIT	E. W. DANIEL EPISCOPAL CREDIT UNION	82	64	13
DETROIT	EBENEZER A.M.E. CHURCH CREDIT UNION	353	295	243
DETROIT	ELECTRICAL WORKERS LOCAL 58 CREDIT UNION	1,626	1,541	1,176
DETROIT	F.R.B. EMPLOYEES CREDIT UNION	725	661	582
DETROIT	FANNIE B. PECK CREDIT UNION OF BETHEL A.M.E. CHURCH	268	207	22
DETROIT	GASCO EMPLOYEES CREDIT UNION	27,117	24,841	17,231
DETROIT	GRACE CHURCH CREDIT UNION	23	19	12
DETROIT	GRAND TRUNK SHORELINE EMPLOYEES CREDIT UNION	2,266	2,013	1,663
DETROIT	GREATER CHRIST BAPTIST CHURCH CREDIT UNION	589	521	245
DETROIT	GREATER NEW MT. MORIAH BAPTIST CHURCH CREDIT UNION	138	132	74
DETROIT	HOLY CROSS COUNCIL CREDIT UNION	596	497	375
DETROIT	I. M. DETROIT DISTRICT CREDIT UNION	458	319	18
DETROIT	IRON WORKERS LOCAL 25 CREDIT UNION	2,266	1,922	1,414
DETROIT	J. L. HUDSON EMPLOYEES CREDIT UNION	55,036	50,662	27,555
DETROIT	JOS. CAMPAU AVENUE CHURCH OF GOD CREDIT UNION	39	36	39
DETROIT	LOCAL 17 IBEW CREDIT UNION	1,138	1,019	655
DETROIT	M. E. S. CREDIT UNION	5,877	4,990	4,952
DETROIT	METROPOLITAN CHURCH OF GOD CREDIT UNION	43	38	21
DETROIT	MOTOR CITY CO-OP CREDIT UNION	28,539	25,788	21,123
DETROIT	MOUNT CARMEL MERCY CREDIT UNION	2,645	2,390	1,952
DETROIT	NORTHEAST CATHOLIC CREDIT UNION	17,905	16,576	12,998
DETROIT	NORTHWEST PARISH CREDIT UNION	952	855	888

STATE CHARTERED CREDIT UNIONS AS OF DECEMBER 31, 1985

(000's Omitted)

City	Name of Credit Union	Total Assets	Total Shares and Deposits	Total Loans
DETROIT	PEOPLES COMMUNITY CHURCH CREDIT UNION	607	524	308
DETROIT	PRECISION SPRING CREDIT UNION	285	224	211
DETROIT	PRINCE HALL CREDIT UNION	160	107	42
DETROIT	SAINT PETER AND PAUL ORTHODOX CREDIT UNION, THE	380	276	331
DETROIT	SCOTT METHODIST CREDIT UNION	153	132	11
DETROIT	SERVITOR CREDIT UNION	5,363	4,694	4,354
DETROIT	SINAI HEALTH SERVICES CREDIT UNION	3,941	3,638	2,861
DETROIT	ST. BARTHOLOMEW PARISH CREDIT UNION	1,022	892	533
DETROIT	ST. GABRIEL PARISH CREDIT UNION	1,720	1,502	754
DETROIT	ST. GEMMA PARISH CREDIT UNION	320	276	201
DETROIT	ST. HILARY CREDIT UNION	1,835	1,538	1,101
DETROIT	ST. JOHN PRESBYTERIAN CHURCH CREDIT UNION	253	218	210
DETROIT	TEAMSTERS CREDIT UNION	9,702	9,107	5,539
DETROIT	TRAILER CREDIT UNION	3,690	3,363	2,578
DETROIT	UNITY CREDIT UNION	18,974	17,729	11,341
DETROIT	VERNON CHAPEL CREDIT UNION	115	88	96
DETROIT	WARRENDALE COMMUNITY CREDIT UNION	6,434	5,799	4,321
DETROIT	WAYNE COUNTY CREDIT UNION	40,439	37,806	26,315
DRAYTON PLAINS	LAKELAND CATHOLIC CREDIT UNION	1,991	1,680	881
DRUMMOND ISLAND	DE TOUR DRUMMOND COMMUNITY CREDIT UNION	1,004	824	729
EAST DETROIT	CITY OF EAST DETROIT EMPLOYEES CREDIT UNION	1,341	1,263	832
EAST DETROIT	EAST DETROIT SCHOOL EMPLOYEES CREDIT UNION	3,281	2,975	1,724
EAST DETROIT	LUTHERAN CREDIT UNION OF GREATER DETROIT	517	470	396
EATON RAPIDS	WESLEY CREDIT UNION	2,471	2,073	1,953
ECORSE	ECORSE MUNICIPAL EMPLOYEES CREDIT UNION	379	296	345
EDMORE	HITACHI EMPLOYEES CREDIT UNION	1,902	1,604	1,336
EDMORE	MONTCALM PUBLIC EMPLOYEES CREDIT UNION	1,315	1,149	1,214
ELKTON	WEST HURON COMMUNITY CREDIT UNION	1,321	1,240	957
ESCANABA	BAY DE NOC STATE EMPLOYEES CREDIT UNION	7,476	6,800	4,045
ESCANABA	DELTA COUNTY CREDIT UNION	20,032	19,384	7,680
ESCANABA	DELTA COUNTY PRINTING TRADES CREDIT UNION	117	99	64
ESCANABA	DELTA COUNTY TEACHERS CREDIT UNION	1,397	1,295	1,315
ESSEXVILLE	ESSEXVILLE COLUMBUS CREDIT UNION	211	179	160
FARMINGTON	SUBURBAN CATHOLIC CREDIT UNION	14,996	13,419	7,952
FARMINGTON HILLS	ST. FABIAN'S CREDIT UNION	121	89	88
FERNDALE	CREDIT UNION ONE	106,114	100,748	67,843
FERNDALE	PATTERN MAKERS CREDIT UNION	2,571	2,399	2,079
FILER CITY	FILER CITY MILL EMPLOYEES CREDIT UNION	6,484	5,840	2,690
FLINT	EL-GA CREDIT UNION	12,159	11,220	5,835
FLINT	FLINT AREA SCHOOL EMPLOYEES CREDIT UNION	58,309	51,573	30,241
FLINT	FLINT FEDERAL EMPLOYEES CREDIT UNION	6,642	6,127	4,428
FLINT	FLINT MUNICIPAL CREDIT UNION	14,241	12,902	10,557

STATE CHARTERED CREDIT UNIONS AS OF DECEMBER 31, 1985

(000's Omitted)

City	Name of Credit Union	Total Assets	Total Shares and Deposits	Total Loans
FLINT	GENESEE COUNTY EMPLOYEES CREDIT UNION	2,219	1,982	1,651
FLINT	GRAND BLANC AUTO WORKERS CREDIT UNION	11,898	9,339	6,628
FLINT	MCDONALD DAIRY EMPLOYEES CREDIT UNION	1,069	952	767
FLINT	NORTH FLINT CATHOLIC CREDIT UNION	8,266	7,546	6,722
FRANKENMUTH	FRANKENMUTH CREDIT UNION	10,143	8,967	5,453
FRANKENMUTH	UNIVERSAL EMPLOYEES' CREDIT UNION	1,451	1,234	491
FRASER	CROSS COMPANY EMPLOYEES' CREDIT UNION, THE	543	492	465
FRASER	MACOMB SCHOOLS AND GOVERNMENT CREDIT UNION	95,863	92,233	37,771
FREELAND	TRI-COUNTY BUILDING TRADES CREDIT UNION	1,528	1,512	756
FREMONT	NEWAYGO COUNTY SCHOOL EMPLOYEES CREDIT UNION	2,503	2,299	1,442
GARDEN CITY	GARDEN CITY COMMUNITY CREDIT UNION	1,396	1,331	759
GRAND HAVEN	BASTIAN-BLESSING EMPLOYEES CREDIT UNION	2,037	1,916	1,373
GRAND HAVEN	NORTH OTTAWA CREDIT UNION	455	383	402
GRAND HAVEN	OTTAWA COUNTY SCHOOL EMPLOYEES CREDIT UNION	12,803	12,108	8,084
GRAND HAVEN	TRI-CITIES CREDIT UNION	3,336	2,742	2,828
GRAND RAPIDS	A A C CREDIT UNION	10,103	9,352	5,475
GRAND RAPIDS	A. T. L. EMPLOYEES CREDIT UNION	9,304	8,444	3,853
GRAND RAPIDS	ALOFS EMPLOYEES CREDIT UNION	436	335	424
GRAND RAPIDS	AMI EMPLOYEES'S CREDIT UNION	1,387	1,207	1,179
GRAND RAPIDS	AQUINAS COLLEGE CREDIT UNION	2,625	2,263	1,472
GRAND RAPIDS	BELL COM CREDIT UNION	31,470	28,996	21,640
GRAND RAPIDS	BISSELL EMPLOYEES CREDIT UNION	2,786	2,530	2,209
GRAND RAPIDS	BLACKMER PUMP CREDIT UNION	625	528	463
GRAND RAPIDS	BLESSED SACRAMENT PARISH CREDIT UNION	596	528	534
GRAND RAPIDS	BLODGETT MEMORIAL MEDICAL CENTER CREDIT UNION	4,376	4,182	2,761
GRAND RAPIDS	FOOD MARKETERS CREDIT UNION	6,203	5,706	4,509
GRAND RAPIDS	GRAND RAPIDS EMPLOYEES CREDIT UNION	15,977	14,892	10,903
GRAND RAPIDS	GRAND RAPIDS MUNICIPAL EMPLOYEES' CREDIT UNION	10,252	9,615	5,640
GRAND RAPIDS	GRAND RAPIDS TEACHERS CREDIT UNION	64,923	62,537	35,614
GRAND RAPIDS	GRAND VALLEY CO-OP CREDIT UNION	22,527	21,264	15,434
GRAND RAPIDS	GRDT EMPLOYEES CREDIT UNION	2,414	2,299	1,922
GRAND RAPIDS	GUARDSMAN EMPLOYEES CREDIT UNION	828	755	753
GRAND RAPIDS	HEALTH CARE CREDIT UNION	6,170	5,836	4,920
GRAND RAPIDS	JOHN WIDDICOMB CO EMPLOYEES CREDIT UNION, THE	328	306	281
GRAND RAPIDS	K-V EMPLOYEES CREDIT UNION	1,121	986	1,021
GRAND RAPIDS	KEELER BRASS EMPLOYEES CREDIT UNION	2,188	1,972	1,130
GRAND RAPIDS	KENT COUNTY EMPLOYEES CREDIT UNION	6,068	5,382	3,510
GRAND RAPIDS	L S I CREDIT UNION	23,691	19,241	16,820
GRAND RAPIDS	LATVIAN CREDIT UNION	2,389	2,134	922
GRAND RAPIDS	M P S EMPLOYEES CREDIT UNION	900	723	427
GRAND RAPIDS	MEIJER EMPLOYEES CREDIT UNION	17,552	15,961	14,769
GRAND RAPIDS	NORTH KENT CATHOLIC CREDIT UNION	1,093	984	754

STATE CHARTERED CREDIT UNIONS AS OF DECEMBER 31, 1985

(000's Omitted)

City	Name of Credit Union	Total Assets	Total Shares and Deposits	Total Loans
GRAND RAPIDS	OAK INDUSTRIAL PARK CREDIT UNION	6,423	6,168	3,744
GRAND RAPIDS	SAINT MARY'S HOSPITAL CREDIT UNION	3,823	3,595	2,871
GRAND RAPIDS	SAINT MATTHEW'S CREDIT UNION	25,237	23,752	14,424
GRAND RAPIDS	WEST MICHIGAN STATE EMPLOYEES CREDIT UNION	14,067	12,711	9,203
GRAND RAPIDS	WESTERN DISTRICTS EMPLOYEES CREDIT UNION	5,542	4,823	4,319
GRANDVILLE	ALLOYTEK EMPLOYEES CREDIT UNION	1,254	1,002	1,010
GRANDVILLE	SOUTHWEST CATHOLIC CREDIT UNION	1,327	1,137	710
GREENVILLE	RANNEY REFRIGERATOR EMPLOYEES CREDIT UNION	349	301	226
GROSSE POINTE	BON SECOURS-COTTAGE AND AFFILIATES CREDIT UNION	5,247	4,655	3,315
HAMTRAMCK	CARDINAL MERCIER CREDIT UNION	393	354	356
HAMTRAMCK	ST. LADISLAUS CREDIT UNION	803	749	478
HART	OCEANA SCHOOL EMPLOYEES CREDIT UNION	370	322	333
HASTINGS	P-RING CREDIT UNION	1,030	871	812
HASTINGS	THORNAPPLE VALLEY COMMUNITY CREDIT UNION	4,402	4,019	3,632
HIGHLAND PARK	HIGHLAND PARK SCHOOL EMPLOYEES CREDIT UNION	1,890	1,766	1,493
HOLLAND	BIG DUTCH FLEET CREDIT UNION, THE	2,875	2,460	2,163
HOLLAND	DONNELLY MIRRORS EMPLOYEES CREDIT UNION	1,116	1,023	946
HOLLAND	HOLLAND CENTRAL TRADES CREDIT UNION	13,729	12,420	7,702
HOLLAND	HOLLAND GENERAL ELECTRIC EMPLOYEES CREDIT UNION	2,605	2,343	1,813
HOLLAND	HOLLAND MACHINE EMPLOYEES CREDIT UNION	523	405	442
HOLLAND	HOLLAND MUNICIPAL EMPLOYEES CREDIT UNION	3,243	3,016	2,291
HOWELL	C.H.C. EMPLOYEES CREDIT UNION	322	285	253
HOWELL	CITIZENS' CREDIT UNION	2,252	1,853	1,579
IONIA	AUTO BODY WORKERS CREDIT UNION OF IONIA	1,165	1,017	867
IONIA	GOVERNMENTAL EMPLOYEES CREDIT UNION	6,379	5,443	3,635
IRON RIVER	SOUTHWEST IRON COUNTY COMMUNITY CREDIT UNION	2,461	2,290	1,970
JACKSON	AEROQUIP EMPLOYEES CREDIT UNION	7,846	7,427	5,673
JACKSON	CATHOLIC COMMUNITY CREDIT UNION	1,012	817	750
JACKSON	EDUCATORS AND EMPLOYEES CREDIT UNION	13,716	12,400	10,673
JACKSON	JACKSON CITY COUNTY CREDIT UNION	4,473	4,048	2,436
JACKSON	JACKSON COUNTY PRINTING & PUBLISHING EMPLOYEES CREDIT UNION	1,685	1,518	1,159
JACKSON	MICHIGAN RAILROADERS CREDIT UNION	1,322	1,071	677
JACKSON	SOUTH CENTRAL STATE EMPLOYEES CREDIT UNION	10,810	8,443	8,377
JACKSON	SPARTON EMPLOYEES' CREDIT UNION	664	610	472
JACKSON	TEER-WICKWIRE EMPLOYEES CREDIT UNION	187	164	150
KALAMAZOO	AUTO WORKERS CREDIT UNION	20,037	18,493	15,635
KALAMAZOO	KALAMAZOO BUILDING TRADES CREDIT UNION	2,263	2,100	1,275
KALAMAZOO	KALAMAZOO GAZETTE EMPLOYEES CREDIT UNION	1,362	1,192	1,093
KALAMAZOO	KALAMAZOO STATE HOSPITAL EMPLOYEES CREDIT UNION	5,790	5,278	2,915
KALAMAZOO	KALSEE CREDIT UNION	15,283	14,030	8,309
KALAMAZOO	NORTHWEST INDUSTRIAL CREDIT UNION	10,933	10,446	6,335
KALAMAZOO	PAPERMAKERS CREDIT UNION	2,778	2,596	2,237

STATE CHARTERED CREDIT UNIONS AS OF DECEMBER 31, 1985

(000's Omitted)

City	Name of Credit Union	Total Assets	Total Shares and Deposits	Total Loans
KALAMAZOO	SCHOOL EMPLOYEES CREDIT UNION	34,744	32,529	23,167
KALAMAZOO	SOUTHWESTERN MICHIGAN UTILITIES EMPLOYEES CREDIT UNION	4,329	3,806	2,867
KALAMAZOO	SOUTHWESTERN STATE EMPLOYEES CREDIT UNION	14,073	13,037	8,285
LAKE LEELANAU	LEELANAU CATHOLIC CREDIT UNION	759	641	443
LAKE ORION	ORION-OXFORD COMMUNITY CREDIT UNION	1,809	1,663	1,271
LANSING	AUTO BODY CREDIT UNION	51,943	47,683	36,466
LANSING	AUTO OWNERS EMPLOYEES CREDIT UNION, THE	5,888	5,430	3,297
LANSING	BARBERS CREDIT UNION	563	504	318
LANSING	CAPITAL AREA SCHOOL EMPLOYEES CREDIT UNION	31,698	27,990	25,437
LANSING	COMMUNICATION SERVICES CREDIT UNION	5,849	5,131	4,221
LANSING	CONSUMERS POWER CREDIT UNION	13,416	11,543	9,794
LANSING	COOLEY LAWYERS CREDIT UNION	1,405	1,160	1,301
LANSING	FARM BUREAU EMPLOYEES CREDIT UNION	2,882	2,683	2,124
LANSING	FEDERAL EMPLOYEES CREDIT UNION	4,232	3,954	2,809
LANSING	GABRIELS CATHOLIC CREDIT UNION	1,900	1,712	1,304
LANSING	GREATER LANSING LABOR COUNCIL CREDIT UNION	1,308	1,171	1,146
LANSING	LANSING BUILDING TRADES CREDIT UNION	1,367	1,269	1,091
LANSING	LANSING COMMUNITY CREDIT UNION	15,952	13,158	10,365
LANSING	LANSING POSTAL CREDIT UNION	9,009	8,052	5,447
LANSING	MEDICAL CREDIT UNION	6,849	6,294	3,758
LANSING	MOTOR WHEEL-METRO AREA CREDIT UNION	18,576	16,884	9,208
LANSING	POVERELLO CREDIT UNION	2,478	2,064	1,374
LANSING	STATE EMPLOYEES CREDIT UNION	127,700	121,287	79,532
LANSING	STATE JOURNAL EMPLOYES CREDIT UNION	1,598	1,377	745
LAPEER	LAPEER COUNTY COMMUNITY CREDIT UNION	16,757	13,294	9,489
LAPEER	LAPEER COUNTY SCHOOL EMPLOYEES CREDIT UNION	3,115	2,709	1,680
LATHRUP VILLAGE	SOUTHFIELD TRI-PARISH CREDIT UNION	1,454	1,357	1,091
LAWTON	WELCH FOODS INC. CREDIT UNION	436	368	347
LEONIDAS	PLASTIC WORKERS CREDIT UNION	558	471	429
LINCOLN PARK	GOOD SHEPHERD CREDIT UNION	17,533	16,739	8,650
LINCOLN PARK	LINCOLN-ALLEN CREDIT UNION	9,248	8,377	5,299
LIVONIA	KEMBA - FOODLAND CREDIT UNION	8,110	6,483	5,530
LIVONIA	LIVONIA COMMUNITY CREDIT UNION	13,119	11,346	7,822
LIVONIA	PARKSIDE CREDIT UNION	17,922	15,932	12,360
LIVONIA	SAINTS TRI-PARISH CREDIT UNION	2,166	2,070	1,721
LIVONIA	WAYNE OUT COUNTY TEACHERS' CREDIT UNION	80,099	66,789	38,808
LUDINGTON	DOW LUDINGTON EMPLOYEES' CREDIT UNION	7,378	6,663	4,919
LUDINGTON	JACKSON VIBRATORS EMPLOYEES CREDIT UNION	1,104	872	708
LUDINGTON	MASON COUNTY SCHOOL EMPLOYEES CREDIT UNION	2,057	1,886	1,455
MADISON HEIGHTS	A F D CREDIT UNION	5,224	4,696	4,073
MADISON HEIGHTS	MADISON HEIGHTS MUNICIPAL EMPLOYEES CREDIT UNION	403	367	313
MADISON HEIGHTS	SOC CREDIT UNION	47,550	42,052	38,516

STATE CHARTERED CREDIT UNIONS AS OF DECEMBER 31, 1985

(000's Omitted)

City	Name of Credit Union	Total Assets	Total Loans	Total Shares and Deposits
MANISTEE	MANISTEE CATHOLIC CENTRAL CREDIT UNION	166	140	106
MANISTEE	MANISTEE COUNTY TEACHERS CREDIT UNION	446	403	301
MANISTEE	MANISTEE PUBLIC EMPLOYEES CREDIT UNION	662	529	559
MANISTEE	MANISTEE SALT EMPLOYEES CREDIT UNION	1,604	1,417	886
MARQUETTE	MARQUETTE CATHOLIC CREDIT UNION	17,020	14,162	5,976
MARQUETTE	STEELWORKERS-LOCAL 3111 CREDIT UNION	119	100	84
MARSHALL	MARSHALL COMMUNITY CREDIT UNION	11,313	9,885	4,601
MARYSVILLE	EDUCATIONAL AND ASSOCIATES CREDIT UNION	16,811	15,858	11,299
MASON	WYETH-MASON CREDIT UNION	763	648	630
MELVINDALE	DOWNRIVER CATHOLIC CREDIT UNION	11,763	10,911	5,877
MELVINDALE	MELVINDALE COMMUNITY CREDIT UNION	2,285	2,047	1,497
MENOMINEE	MECU CREDIT UNION	1,062	978	345
MENOMINEE	MENOMINEE AREA CREDIT UNION	1,964	1,851	1,551
MENOMINEE	MENOMINEE CATHOLIC CREDIT UNION	283	260	142
MENOMINEE	MENOMINEE LOCAL 328 CREDIT UNION	529	479	442
MENOMINEE	MENOMINEE PAPER CREDIT UNION	4,308	3,823	1,810
MIDLAND	DOW CHEMICAL EMPLOYEES' CREDIT UNION	179,330	157,812	97,409
MIDLAND	MIDLAND AREA CREDIT UNION	16,898	16,034	11,606
MIDLAND	MIDLAND COUNTY SCHOOL EMPLOYEES CREDIT UNION	11,468	10,933	6,834
MILFORD	HURON VALLEY SCHOOLS CREDIT UNION	4,399	3,901	2,786
MONROE	MONROE COUNTY AND MUNICIPALITIES EMPLOYEES CREDIT UNION	1,106	913	897
MONROE	MONROE COUNTY COMMUNITY CREDIT UNION	17,144	16,158	7,985
MONROE	MONROE COUNTY TEACHERS CREDIT UNION	10,514	9,104	8,470
MONROE	ST. MICHAEL'S-MONROE CREDIT UNION	450	361	309
MT. CLEMENS	JOINT MILITARY SERVICES CREDIT UNION	34,881	32,879	28,647
MT. CLEMENS	ST. JOSEPH HOSPITAL EMPLOYEES CREDIT UNION	3,323	2,922	2,257
MT. MORRIS	BUILDING TRADES - AFL-CIO CREDIT UNION	1,328	1,232	721
MT. MORRIS	MID VALLEY CREDIT UNION	5,329	5,148	2,283
MT. PLEASANT	ISABELLA COMMUNITY CREDIT UNION	18,298	17,665	11,878
MUNISING	MUNISING COMMUNITY CREDIT UNION	7,672	6,901	4,544
MUSKEGON	FATHER MARQUETTE-MUSKEGON DEANERY CREDIT UNION	360	310	336
MUSKEGON	FIRST GENERAL CREDIT UNION	11,060	9,492	7,019
MUSKEGON	MUSKEGON CATHOLIC CENTRAL CREDIT UNION	1,333	1,164	1,041
MUSKEGON	MUSKEGON CENTRAL TRADES CREDIT UNION	1,141	1,104	910
MUSKEGON	MUSKEGON CONSUMERS POWER EMPLOYEES CREDIT UNION	1,464	1,214	1,337
MUSKEGON	MUSKEGON COUNTY SCHOOL EMPLOYEES CREDIT UNION	11,893	10,659	7,368
MUSKEGON	MUSKEGON PISTON RING EMPLOYEES CREDIT UNION	1,878	1,611	1,597
MUSKEGON	MUSKEGON PRINTING INDUSTRIAL EMPLOYEES CREDIT UNION	1,318	1,216	1,192
MUSKEGON	MUSKEGON TEACHERS CREDIT UNION	1,570	1,383	1,484
MUSKEGON	SEALED POWER EMPLOYEES CREDIT UNION	14,354	13,007	7,091
MUSKEGON	TRU-VALU CREDIT UNION	3,683	3,206	2,765
NEWBERRY	EAST CENTRAL UPPER PENINSULA EMPLOYEES CREDIT UNION	7,849	7,539	5,094

STATE CHARTERED CREDIT UNIONS AS OF DECEMBER 31, 1985

(000's Omitted)

City	Name of Credit Union	Total Assets	Total Shares and Deposits	Total Loans
NILES	N.-S. CREDIT UNION	3,149	2,812	2,175
NILES	SIMPLICITY-BERRIEN GRAPHIC ARTS CREDIT UNION	3,939	3,471	1,666
NILES	TYLER EMPLOYEES CREDIT UNION	1,510	1,184	1,065
NORWAY	NORWAY COMMUNITY CREDIT UNION	2,002	1,758	1,249
OAK PARK	OAK PARK MUNICIPAL EMPLOYEES' CREDIT UNION	454	378	364
OAK PARK	OUR LADY OF FATIMA CREDIT UNION	950	855	733
OAK PARK	SHEETMETAL CREDIT UNION	2,683	2,553	2,331
OKEMOS	SCHMIDT'S EMPLOYEES CREDIT UNION	1,032	933	877
ONTONAGON	LAKE SUPERIOR CREDIT UNION	1,013	918	778
ORCHARD LAKE	WEST ACRES CREDIT UNION	1,571	1,308	995
OSCODA	IOSCO SCHOOL EMPLOYEES CREDIT UNION	5,933	5,484	2,652
OTSEGO	MEAD-OTSEGO EMPLOYEES CREDIT UNION	1,189	1,002	979
OTSEGO	OTSEGO FALLS CREDIT UNION	227	187	176
OWOSSO	CENTEL CREDIT UNION	5,341	4,622	3,173
OWOSSO	OUR FAMILY CREDIT UNION	1,884	1,721	1,412
OWOSSO	OWOSSO COLUMBUS CREDIT UNION	1,771	1,574	1,354
OWOSSO	SHIAWASSEE CREDIT UNION	1,015	889	618
PELKIE	PELKIE-COPPER COUNTRY COMMUNITY CREDIT UNION	2,274	2,190	1,284
PLAINWELL	ALLEGAN COUNTY SCHOOL EMPLOYEES CREDIT UNION	2,925	2,700	2,269
PLAINWELL	PLAINWELL PAPER CO., INC. EMPLOYEES CREDIT UNION	1,594	1,288	1,240
PLYMOUTH	BURROUGHS INTERSTATE SERVICES CREDIT UNION	7,208	6,515	3,700
PLYMOUTH	PLYMOUTH COUNCIL CREDIT UNION	604	552	371
PONTIAC	NORTH OAKLAND COMMUNITY CREDIT UNION	13,719	13,042	10,351
PONTIAC	OAKLAND COUNTY EMPLOYEES CREDIT UNION	25,375	23,939	14,734
PONTIAC	PONTIAC MUNICIPAL EMPLOYEES CREDIT UNION	11,234	10,490	9,733
PONTIAC	PONTIAC POSTAL EMPLOYEES CREDIT UNION	4,385	3,671	2,636
PONTIAC	PONTIAC TELEPHONE EMPLOYEES CREDIT UNION	23,742	21,947	14,600
PORT HURON	CITY COUNTY ASSOCIATES CREDIT UNION	1,745	1,542	1,287
PORT HURON	PORT HURON PAPER CREDIT UNION	1,275	1,203	989
PORT HURON	ST. CLAIR COUNTY MANUFACTURER'S CREDIT UNION	12,811	12,049	9,646
PORT HURON	TIMES HERALD EMPLOYEES CREDIT UNION	394	376	187
PORT SANILAC	ST. MARY'S PARISH CREDIT UNION	76	65	45
REDFORD	REDFORD TOWNSHIP COMMUNITY CREDIT UNION	10,390	9,991	5,355
REDFORD	REDFORD TOWNSHIP EMPLOYEES CREDIT UNION	574	518	500
REED CITY	MILLER INDUSTRIES CREDIT UNION	864	709	756
REED CITY	OSCEOLA COMMUNITY CREDIT UNION	100	89	82
REESE	ST. ELIZABETH PARISH CREDIT UNION	1,869	1,760	1,443
RICHMOND	BELLE RIVER COMMUNITY CREDIT UNION	2,617	2,369	2,243
RIVER ROUGE	MSGR. CHAMPION K. OF C. CREDIT UNION	702	593	332
RIVER ROUGE	RIVER ROUGE MUNICIPAL CREDIT UNION	958	793	702
RIVERVIEW	RIVERVIEW COMMUNITY EMPLOYEES CREDIT UNION	1,102	905	826
ROCHESTER	ROCHESTER SCHOOLS CREDIT UNION	6,888	6,533	4,329

STATE CHARTERED CREDIT UNIONS AS OF DECEMBER 31, 1985

(000's Omitted)

City	Name of Credit Union	Total Assets	Total Shares and Deposits	Total Loans
ROCKWOOD	CHRISTIAN COMMUNITY CREDIT UNION	308	261	280
ROGERS CITY	CALCITE CREDIT UNION	7,939	6,952	5,780
ROMEO	M P G CREDIT UNION	1,122	980	621
ROMULUS	KERR EMPLOYEES CREDIT UNION	546	486	441
ROSCOMMON	NORTH CENTRAL AREA CREDIT UNION	15,309	13,342	8,912
ROSEVILLE	ARC CREDIT UNION	3,513	3,361	1,894
ROSEVILLE	SERF CREDIT UNION	21,122	20,195	15,766
ROSEVILLE	ST. ANGELA PARISH CREDIT UNION	3,562	3,290	1,909
ROYAL OAK	NORTHWOOD TRANSPORTATION CREDIT UNION	14,656	12,177	9,338
ROYAL OAK	ROME CREDIT UNION	3,982	3,732	2,601
ROYAL OAK	ROYAL OAK COMMUNITY CREDIT UNION	21,494	20,409	16,555
ROYAL OAK	ROYAL OAK SCHOOLS CREDIT UNION	15,972	14,772	7,418
ROYAL OAK	ST. MARY'S OF ROYAL OAK PARISH CREDIT UNION	4,095	3,915	3,105
ROYAL OAK	UNITED CHRISTIAN COMMUNITY CREDIT UNION	3,867	3,697	2,933
RUDYARD	RUDYARD-PICKFORD CO-OP CREDIT UNION	3,410	3,272	2,102
SAGINAW	AMALGAMATED CREDIT UNION	13,829	11,572	9,879
SAGINAW	BAKER PERKINS EMPLOYEES CREDIT UNION	2,437	2,362	2,201
SAGINAW	COMMUNICATIONS FAMILY CREDIT UNION	92,442	82,365	45,992
SAGINAW	EDUCATION EMPLOYEES CREDIT UNION OF SAGINAW	28,348	25,844	13,243
SAGINAW	HOLY SPIRIT PARISH CREDIT UNION	3,478	3,087	3,049
SAGINAW	LAKE HURON CREDIT UNION	7,286	6,514	2,930
SAGINAW	SAGINAW C. P. EMPLOYEES CREDIT UNION	8,672	8,283	3,404
SAGINAW	SAGINAW COUNTY EMPLOYEES CREDIT UNION	7,815	7,319	4,489
SAGINAW	SAGINAW EATON CREDIT UNION	10,275	9,063	[illegible],930
SAGINAW	SAGINAW FARM BUREAU CREDIT UNION	4,980	4,499	2,533
SAGINAW	SAGINAW MUNICIPAL EMPLOYEES CREDIT UNION	13,375	12,101	6,426
SAGINAW	SAGINAW NEWS EMPLOYEES CREDIT UNION	768	617	428
SAGINAW	SEVERANCE EMPLOYEES CREDIT UNION	262	231	210
SAGINAW	TRI COUNTY AUTOMOTIVE CREDIT UNION	268	232	246
SAGINAW	VALLEY STATE EMPLOYEES CREDIT UNION	5,008	4,596	3,644
SAULT STE MARIE	CHIPPEWA COUNTY EMPLOYEES CREDIT UNION	2,543	2,218	1,912
SAULT STE MARIE	FEDERAL EMPLOYEES OF CHIPPEWA CO. CREDIT UNION	880	750	718
SAULT STE MARIE	SAULT STE. MARIE MUNICIPAL EMPLOYEES CREDIT UNION	393	352	366
SAULT STE MARIE	SOO CO-OP CREDIT UNION	13,057	11,436	10,415
SOUTHFIELD	BAYANIHAN CREDIT UNION	150	143	4
SOUTHFIELD	CENTRAL CREDIT UNION OF MICHIGAN	969,578	905,426	11,074
SOUTHFIELD	COVENANT CREDIT UNION	6,105	5,792	3,476
SOUTHFIELD	DETROIT FEDERAL EMPLOYEES CREDIT UNION	44,710	41,752	20,038
SOUTHFIELD	FTD EMPLOYEES CREDIT UNION	383	369	214
SOUTHFIELD	IMMACULATE HEART OF MARY PARISH CREDIT UNION	2,425	2,096	2,035
SOUTHFIELD	MICHIGAN SERVICES CREDIT UNION	6,280	5,786	3,817
SOUTHFIELD	PROVIDENCE HOSPITAL EMPLOYEES CREDIT UNION	3,991	3,549	2,798

STATE CHARTERED CREDIT UNIONS AS OF DECEMBER 31, 1985

(000's Omitted)

City	Name of Credit Union	Total Assets	Total Shares and Deposits	Total Loans
SOUTHFIELD	SOUTHFIELD EMPLOYEES CREDIT UNION	1,062	884	942
SOUTHFIELD	TELCOM CREDIT UNION	77,099	69,496	47,698
SOUTHGATE	DETROIT PEERLESS EMPLOYEES CREDIT UNION	354	312	181
SPARTA	ROGUE RIVER COMMUNITY CREDIT UNION	3,583	3,286	2,271
SPRING LAKE	WEST GRAND RIVER COMMUNITY CREDIT UNION	617	573	560
ST. JOSEPH	BERRIEN TEACHERS CREDIT UNION	20,804	19,592	11,059
ST. JOSEPH	HEATH EMPLOYEES CREDIT UNION	8,323	7,815	5,156
ST. JOSEPH	LAKE-VIEW CREDIT UNION	814	771	584
ST. JOSEPH	LAKELAND CREDIT UNION	10,343	9,318	8,198
STANDISH	STANDISH COMMUNITY CREDIT UNION	1,029	944	881
STERLING HEIGHTS	STERLING-VAN DYKE CREDIT UNION	12,264	10,638	8,095
STERLING HEIGHTS	VANDYKE INDUSTRIAL PARK CREDIT UNION	4,503	4,038	3,245
TAWAS CITY	D. AND M. CREDIT UNION	673	582	505
TAWAS CITY	NATIONAL GYPSUM EMPLOYEES CREDIT UNION	925	857	834
TAYLOR	D. T. & I. EMPLOYEES CREDIT UNION	5,334	4,998	2,165
TAYLOR	ST. CYRIL AND ST. PASCHAL CREDIT UNION	2,968	2,792	2,394
TAYLOR	TAYLOR COMMUNITY CREDIT UNION	19,228	17,942	7,068
TECUMSEH	TLC COMMUNITY CREDIT UNION	33,816	31,409	19,188
TEMPERANCE	MT. CARMEL CREDIT UNION	167	159	132
TRAVERSE CITY	BURWOOD CREDIT UNION	374	306	262
TRAVERSE CITY	GOVERNMENTAL EMPLOYEES CREDIT UNION	16,305	15,096	11,827
TRAVERSE CITY	T.C.I.W. CREDIT UNION	1,541	1,482	1,342
TRAVERSE CITY	TBA EDUCATION CREDIT UNION	8,372	7,858	6,087
TRAVERSE CITY	TRADES CREDIT UNION	1,429	1,376	1,104
TRENTON	TRENTON GOVERNMENTAL EMPLOYEES CREDIT UNION	9,571	8,305	5,407
TRENTON	TRENTON RESINS CREDIT UNION	406	368	300
TROY	T & I DIVISION CREDIT UNION	20,943	19,212	10,561
UNION LAKE	ST. PATRICK CREDIT UNION	286	237	255
UTICA	NORTH METRO CATHOLIC CREDIT UNION	1,006	870	575
UTICA	ST. LAWRENCE COLUMBUS CREDIT UNION	6,122	5,830	3,828
WARREN	[illegible]-COUNTY CATHOLIC CREDIT UNION	4,373	3,895	1,134
WARREN	E.M.I. EMPLOYEES CREDIT UNION	425	351	356
WARREN	FUTURE CREDIT UNION OF DETROIT	12,103	11,625	3,745
WARREN	MACOMB COUNTY POSTAL EMPLOYEES CREDIT UNION	577	488	465
WARREN	MULTI-PARISH CREDIT UNION	502	467	403
WARREN	ST. CLETUS CREDIT UNION	1,904	1,751	1,522
WARREN	ST. LEONARD'S PARISH CREDIT UNION	428	368	370
WARREN	ST. MARK'S CREDIT UNION	1,073	984	881
WARREN	ST. SYLVESTER PARISH CREDIT UNION	989	876	664
WARREN	TEK-NI-KAL CREDIT UNION	6,381	5,918	4,839
WATERFORD	PONTIAC RAILROAD EMPLOYEES CREDIT UNION	5,727	5,259	3,345
WEIDMAN	MORBARK EMPLOYEES CREDIT UNION	260	247	240

STATE CHARTERED CREDIT UNIONS AS OF DECEMBER 31, 1985

(000's Omitted)

City	Name of Credit Union	Total Assets	Total Shares and Deposits	Total Loans
WEST BRANCH	OGEMAW COMMUNITY CREDIT UNION	5,484	5,025	3,152
WESTLAND	C & S EMPLOYEES CREDIT UNION	16,943	15,547	10,347
WESTLAND	ELOISE CREDIT UNION	7,657	6,554	5,892
WHITE PIGEON	EDDY PAPER EMPLOYEES CREDIT UNION	324	269	307
WHITEHALL	HOWMET EMPLOYEES CREDIT UNION	9,570	8,501	7,719
WHITEHALL	WHITEHALL LEATHER EMPLOYEES CREDIT UNION	307	257	190
WOODHAVEN	E & L TRANSPORT EMPLOYEES CREDIT UNION	363	302	268
WYANDOTTE	DOWNRIVER SCHOOL EMPLOYEES CREDIT UNION	9,040	8,284	6,203
WYANDOTTE	PENNWALT EMPLOYEES CREDIT UNION	853	733	716
WYOMING	ALLIED PRINTING TRADES CREDIT UNION	2,348	2,132	2,109
WYOMING	AMERICAN BOX BOARD COMPANY EMPLOYEES' CREDIT UNION	1,005	831	807
WYOMING	EMPLOYEES OF KEEBLER COMPANY'S G. RAPIDS BAKERY CREDIT UNION	1,129	1,030	904
WYOMING	METROPOLITAN HOSPITAL CREDIT UNION	604	562	412
WYOMING	MULTI-PRODUCTS CREDIT UNION	23,050	20,951	16,868
WYOMING	SPARTAN STORES CREDIT UNION	3,317	3,162	2,284
WYOMING	STEELCASE EMPLOYEES CREDIT UNION	31,203	28,305	14,410
WYOMING	TRANSPORT AFFILIATED COMPANIES CREDIT UNION	3,651	3,355	3,005
YPSILANTI	EASTERN MICHIGAN UNIVERSITY CREDIT UNION	3,101	2,654	1,547

SAVINGS AND LOAN DIVISION

The Savings and Loan Division is responsible for the chartering, regulation and supervision of state-chartered savings and loan associations in Michigan. The purpose of supervision is to ensure the safe and sound operation of all state associations, to enforce statutory compliance and to protect the public interest.

Examinations

The division conducts periodic examinations jointly with the Federal Home Loan Bank Board (Board) whose agency, the Federal Savings and Loan Insurance Corporation (FSLIC), insures deposits of all state associations. With the data obtained through an examination, the division can evaluate an association's capital adequacy, quality of assets, managerial expertise, earnings ability, and level of liquidity. Nine examinations were conducted by the division during 1985.

Problem Associations

The adverse effects of asset/liability mismatches, delinquent loans, and rapid growth were eased during 1985 as interest rates remained stable and state chartered savings and loans were allowed to focus on profitability and operational concerns. The table below provides information pertaining to problem associations over the last five years.

	Total Associations Supervised	Problems Removed	Problems Identified	Year-end Problems
1981	26	2	2	1
1982	21	0	3	4
1983	20	3	0	1
1984	20	0	1	2
1985	11	2	0	0

Structural Trends

Charter conversions continued to be popular in 1985. Eight state chartered savings and loan associations converted to federal charters. Converting to federal savings and loans were: Mutual Savings and Loan Association, Bay City; United Savings and Loan Association, Farmington Hills; Ottawa Savings and Loan Association, Holland; Central State Savings and Loan Association, Mt. Clemens; Peoples Savings Association, St. Joseph; St. Joseph Savings and Loan Association, St. Joseph; and USM Savings and Loan Association, Ann Arbor. Security Savings and Loan Association, Jackson, converted from a state chartered savings and loan association to a federal savings bank. Two mergers were consummated - Central State Savings and Loan Association, F.A., Mt. Clemens, merged into Colonial Federal Savings and Loan Association, Grosse Pointe and subsequently converted to Colonial Central Savings Bank, FSB, Mt. Clemens. Peoples Savings and Loan Association of Battle Creek merged into Mutual Savings and Loan Association, F.A., Bay City. Three federal savings and loans converted to federal savings banks: Home Federal Savings Bank, Detroit; Mutual Home Federal Savings Bank, Grand Rapids; and Heritage Federal Savings Bank, Taylor. Finally, Northern Michigan Bank, Escanaba, Northern Michigan Bank of Marquette, and Northern Michigan Bank of Kingsford, all state chartered commercial banks, consolidated and converted to Northern Michigan Savings Bank, F.S.B., Escanaba.

The result of the conversion and merger activity was 41 federally chartered institutions operating 561 branch offices, up from 494 at year-end 1984, and 11 state chartered institutions operating 22 branch offices.

Industry Performance

The phrase "year of recovery" describes the industry's experience in 1985. All major indicators were positive. Mortgage loans and contracts increased $2.5 billion or 12.7%. Non-mortgage loans recorded the largest percentage gain (54.1%) while savings recorded the smallest (3.1%). Liquid investments increased 14.2% and the use of borrowed funds rose at a 44% rate. This economic activity resulted in improvement in the quarterly return on average assets (annualized) from 0.20% at year end 1984 to 0.66% at year end 1985. The industry's net worth to assets ratio rose from 3.29% to 3.56%. Net worth as a percentage of savings experienced a greater increase (4.64% to 5.56%) because of the low level of savings growth.

Comparative deposit classes are presented below:

	12-84	12-85
Transaction Accounts/Total Deposits	2.64%	3.50%
Money Market Deposit Accounts/Total Deposits	12.25%	13.83%
Passbook Accounts/Total Deposits	10.26%	10.14%
Individual Retirement Accounts/Total Deposits	4.84%	5.68%
Fixed Maturity Deposits/Total Deposits	74.85%	72.52%
Variable Rate Deposits/Total Deposits	0.59%	0.60%
Jumbo Deposits/Total Assets	6.58%	5.65%

Other ratio comparisons further illustrate the industry's economic improvement.

	12-84	12-85
Net Income/Gross Income	1.75%	5.79%
Cost of Funds/Average Assets (annualized)	9.65%	8.60%
Cost of Money/Average Savings and Borrowed Money (annualized)	10.25%	9.12%
Interest Income Less Interest Expense plus and minus hedging results/Average Earning Assets (annualized)	0.97%	1.96%
Slow Loans, Repossessions, and Loans to Facilitate/Total Assets	1.26%	1.15%

Changes in Laws and Rules and Significant Court Decisions

During 1985, the Federal Home Loan Bank Board (Board) adopted several significant insurance regulations. One regulation imposed limits on direct investment in equity securities, real estate, and service corporations. This was a reaction to rapid growth in non-typical savings and loan activities in California and Florida. Another regulation governed certain offers or sales of securities issued by insured institutions. A third involved the adoption of some of the federal bank agencies' methods of classifying certain assets. A fourth concerned the use of preferred stock as regulatory net worth. The Board also issued a regulation which prohibited the imposition of a prepayment penalty in connection with exercising a due-on-sale clause, and a regulation which clarified the loans-to-one-borrower determination.

Two State of Michigan Court of Appeals decisions were of particular interest to the savings and loan industry. The Court of Appeals in Mitchell and Kelley v. United States Mutual Real Estate Investment Trust reversed the lower court and held that wraparound mortgages are second mortgages under Michigan law and subject to the 7% general usury ceiling. In Darr v. First Federal Savings and Loan Association of Detroit, the Court of Appeals upheld a lower court's decision that a land contract sale created a lien or encumbrance subordinate to the first mortgage, and thereby barred enforcement of the due-on-sale clause.

Statistical Data

For purposes of comparison, the following statistical data have been adjusted to exclude converted and merged institutions.

Assets of state-chartered associations increased $126,455,000 or 26.4% in 1985. Mortgage loans and contracts recorded the largest dollar increase, $103,715,000, whereas other assets had the largest percentage increase, 49.6%. Cash and investment securities and other loans increased 11.5% and 33.2%, respectively. Deposits grew $97,898,000 (22.5%), while borrowed money was increasing 90.6% and other liabilities 135.0%. The amount of net worth rose $6,271,000 or 25.7% of assets. Given the substantial increase in assets, the ratio of net worth to assets remained essentially unchanged at 5.1%.

Ten of eleven associations recorded a profit in 1985. Overall, the return on average assets at 0.80%, was near the highest percentage achieved by the industry in the last decade.

Year	Cost of Money	Yield on Investments
1981	10.53%	9.96%
1982	10.68%	10.17%
1983	8.98%	10.43%
1984	10.01%	12.30%
1985	8.10%	10.69%

Savings and Loan Policies

Ultimate responsibility for the health of an association resides with its board of directors. Policy development, approval, and review provide ideal mechanisms for the board to use in meeting this responsibility. The Financial Institutions Bureau's examination program emphasizes compliance with individual board policies. Accordingly, in 1985, a Supervisory Letter addressing concerns with lending policies was issued.

Notes Regarding Savings and Loan Association Financial Information

Absent additional disclosures and clarifications, the following financial and statistical information would be misleading or present a distorted picture. Therefore, the reader should be aware of these considerations:

1. The "Percentage Increase (Decrease)" figures presented in the Consolidated Balance Sheets, Statements of Operation and Comparative Asset Total Schedule reflect the aggregates at year end and have not been adjusted for conversions, mergers, etc. The totals for each year are derived from varying institution populations and consequently are not useful for making comparative analyses.

2. "Undivided Profits and Reserves" listed in the liabilities and net worth portion of the Reports of Condition for State and Federal

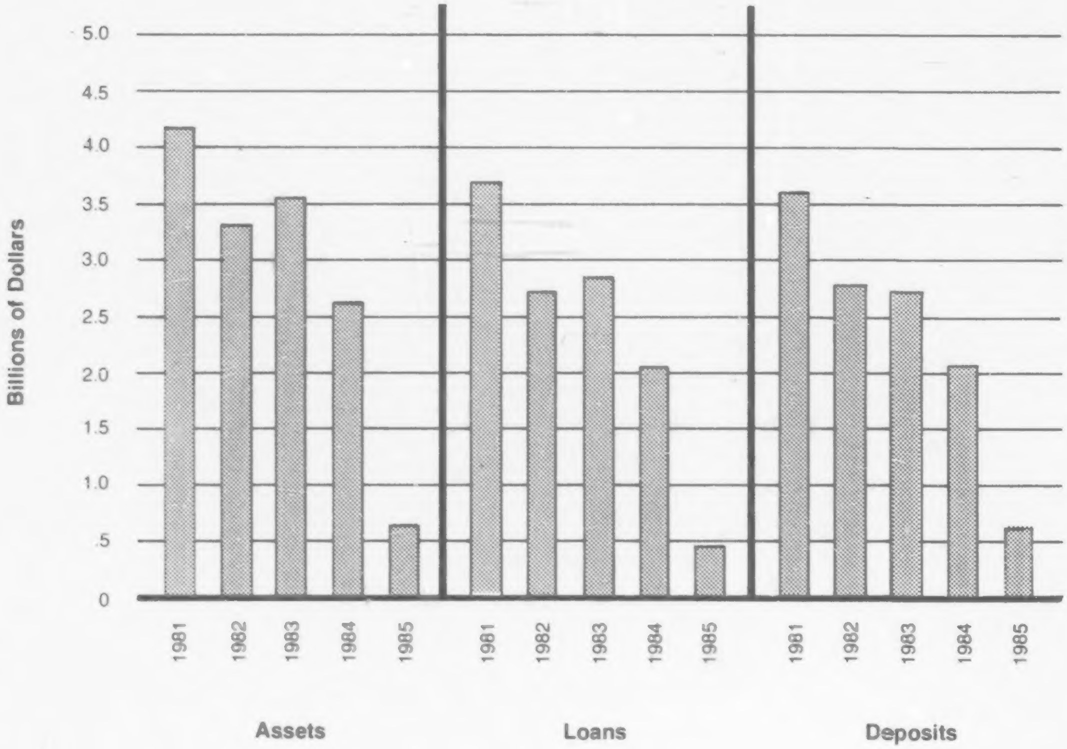
Associations includes such items as subordinated debt, appraised equity capital, net worth certificates, accrued net worth certificates, and income capital certificates.

3. "Total Assets", as reported in the Reports of Condition for Federal Associations, includes non-Michigan assets. First Federal of Michigan has offices in Virginia and South Caroiina and Standard Federal Bank has offices in Indiana.

4. Branch information excludes non-Michigan offices.

5. New charters are issued at conversion, but these new charters are not included in the Charter Applications Table, as that is restricted to newly insured institutions.

COMPARATIVE CHART OF ASSETS, LOANS AND DEPOSITS OF STATE SAVINGS AND LOAN ASSOCIATIONS IN MICHIGAN



CONSOLIDATED BALANCE SHEET OF STATE SAVINGS AND LOAN ASSOCIATIONS
(000's Omitted)

	20 Associations December 31, 1984	11 Associations December 31, 1985	Percent Increase (Decrease)
ASSETS			
Mortgage Loans and Contracts	$1,965,113	$455,462	(76.8%)
Other Loans	71,466	31,983	(55.2)
Real Estate Owned and in Judgment	11,644	4,443	(61.8)
Real Estate for Development	2,076	249	(88.0)
Cash on Hand and in Banks	66,484	8,239	(87.6)
Investment Securities	393,463	84,393	(78.5)
Office Buildings and Equipment (Net)	29,989	8,426	(71.9)
Investment in Service Corporations	5,677	737	(670.2)
Other Assets	64,222	11,996	(81.3)
Total Assets	$2,610,134	$605,928	(76.7)
LIABILITIES AND NET WORTH			
Time Deposits	$1,246,850	$366,476	(70.6)
Passbook and NOW Accounts	816,327	165,583	(79.7)
Total Savings Accounts	$2,063,177	$532,059	(74.2)
Borrowed Money	415,205	25,443	(93.8)
Advance Payments by Borrowers for Taxes and Insurance	10,980	7,277	(33.7)
Other Liabilities	28,570	9,762	(65.8)
Deferred Taxes	2,125	701	(67.0)
Total Liabilities	$2,520,057	$575,242	(77.1)
General Reserves and Undivided Profits	$ 67,334	$ 21,531	(68.0)
Net Worth Certificates	875	-	(100.0)
Capital Stock	9,528	6,662	(30.0)
Capital in Excess of Par	12,340	2,493	(79.8)
Total Net Worth	$ 90,077	$ 30,686	(65.9)
Total Liabilities and Net Worth	$2,610,134	$605,928	(76.7)

CONSOLIDATED STATEMENT OF OPERATIONS OF STATE SAVINGS AND LOAN ASSOCIATIONS

(000's Omitted)

	1984	1985	Percent Increase (Decrease)
INCOME			
OPERATING INCOME			
Interest on:			
Mortgage Loans and Contracts	$197,728	$43,651	(77.9%)
Other Loans	7,238	3,188	(55.9)
Investments and Deposits	47,652	7,728	(83.7)
Total Interest	$252,618	$54,567	(78.4)
Loan Fees and Charges	7,673	4,117	(46.3)
Other Operating Income	6,398	1,015	(84.1)
Total Non-Operating Income	$266,689	$59,699	(77.6)
NON-OPERATING INCOME			
Profit on Sale of Assets	$ 7,852	$ 1,044	(86.7)
Other Non-Operating Income	165	193	16.9
Total Non-Operating Income	$ 8,017	$ 1,237	(84.5)
Total Income	$274,706	$60,936	(77.8)
EXPENSE			
OPERATING EXPENSE			
Salaries, Wages, Fees, Benefits	$ 20,449	$ 5,562	(72.8)
Directors, Officers and Employees Expense Accounts	739	169	(77.1)
Professional, Advisory, Audit, and Supervisory Expenses	1,349	459	(65.9)
Office Occupancy Expense	3,925	996	(74.6)
Furniture, Fixtures and Equipment Expense	4,188	1,192	(71.5)
Advertising	2,003	647	(67.7)
Other Operating Expense	11,412	3,447	(69.8)
Total Operating Expense	$ 44,065	$12,472	(71.7)
COST OF MONEY			
Interest on Deposits	$178,295	$38,543	(78.3)
Interest on Borrowed Money	40,359	2,149	(94.6)
Total Cost of Money	$218,654	$40,692	(81.3)
NON-OPERATING EXPENSE			
Income Taxes:			
Federal Income Tax	$ 2,801	$ 1,760	(37.1)
State and Local Income Tax	(123)	77	162.6
Total Income Tax	$ 2,678	$ 1,837	(31.4)
Losses and Provision for Losses	598	1,343	124.5
Other Non-Operating Expense	1,088	287	(73.6)
Total Non-Operating Expense	$ 4,364	$ 3,467	(20.5)
Total Expense	$267,083	$56,631	(78.8)
NET INCOME	$ 7,623	$ 4,305	(43.5)

CONSOLIDATED BALANCE SHEET OF FEDERAL SAVINGS AND LOAN ASSOCIATIONS

(000's Omitted)

	33 Associations December 31, 1984	41 Associations* December 31, 1985	Percent Increase (Decrease)
ASSETS			
Mortgage Loans and Contracts	$17,304,438	$21,273,872	22.9%
Other Loans	995,063	1,611,480	61.9
Real Estate Owned and In Judgment	102,231	87,260	(14.6)
Real Estate for Development	8,699	31,420	261.2
Cash on Hand and In Banks	154,143	253,262	64.3
Investment Securities	4,452,561	5,444,215	22.1
Office Buildings and Equipment (Net)	301,867	333,292	10.4
Investments in Service Corporations	68,424	131,528	92.2
Other Assets	1,270,508	1,358,700	6.9
Total Assets	$24,657,934	$30,521,029	23.7
LIABILITIES AND NET WORTH			
Deposits	$17,249,366	$19,391,982	12.4
Borrowed Money	6,115,959	9,431,799	54.2
Advance Payments by Borrowers for Taxes and Insurance	102,157	110,812	8.4
Other Liabilities	372,006	462,416	24.3
Deferred Taxes	13,844	47,975	246.5
Total Liabilities	$23,853,332	$29,444,984	23.4
General Reserves and Undivided Profits	$ 691,191**	$ 879,439***	27.2
Net Worth Certificates	575	4,250	639.1
Capital Stock	4,811	8,899	84.9
Capital in Excess of Par	108,025	183,457	69.8
Total Net Worth	$ 804,602	$ 1,076,045	33.7
Total Liabilities and Net Worth	$24,657,934	$30,521,029	23.7

* Figures on Northern Michigan Savings Bank, FSB not included.

**Includes $20,000 Qualifying Subordinated Debentures and $36,467 Appraised Equity Capital.

***Includes $18,334 Qualifying Subordinated Debentures and $38,118 Appraised Equity Capital.

CONSOLIDATED STATEMENT OF OPERATIONS OF FEDERAL SAVINGS AND LOAN ASSOCIATIONS
(000's) Omitted)

	1984	1985	Percent Increase (Decrease)
INCOME			
OPERATING INCOME			
Interest on:			
Mortgage Loans and Contracts	$1,768,891	$2,203,222	24.6%
Other Loans	101,168	150,667	48.9
Investments and Deposits	508,267	514,312	1.2
Total Interest	$2,378,326	$2,868,201	20.6
Loan Fees and Charges	73,297	110,796	51.2
Other Operating Income	65,537	53,167	(18.9)
Total Operating Income	$2,517,160	$2,032,164	20.5
NON-OPERATING INCOME			
Profit on Sale of Assets	$ 80,740	$ 169,101	109.4
Other Non-Operating Income	3,065	3,924	28.0
Total Non-Operating Income	$ 83,805	$ 173,025	106.5
Total Income	$2,600,965	$3,205,189	23.2
EXPENSE			
OPERATING EXPENSE			
Salaries, Wages, Fees and Benefits	$ 136,848	$ 177,680	29.8
Directors, Officers and Employees Expense Accounts	2,740	3,651	33.3
Professional, Advisory, Audit and Supervisory Expenses	3,554	13,496	279.8
Office Occupancy Expense	32,202	38,650	20.0
Furniture, Fixtures and Equipment Expense	26,032	34,653	33.1
Advertising	12,259	16,020	30.7
Other Operating Expense	83,008	170,229	105.1
Total Operating Expense	$ 296,643	$ 454,379	53.2
COST OF MONEY			
Interest on Deposits	$1,592,369	$1,722,787	8.2
Interest on Borrowed Money	601,733	757,077	25.8
Total Cost of Money	$2,194,102	$2,479,864	13.0
NON-OPERATING EXPENSE			
Income Taxes:			
Federal Income Tax	$ 12,552	$ 47,524	278.6
State and Local Income Tax	563	727	29.1
Total Income Tax	$ 13,115	$ 48,251	267.9
Losses and Provision for Losses	23,375	46,802	100.2
Other Non-Operating Expense	14,342	17,677	23.3
Total Non-Operating Expense	$ 50,832	$ 112,730	121.8
Total Expense	$2,541,577	$3,046,973	19.9
NET INCOME	$ 59,388	$ 158,216	166.4

REPORTS OF CONDITION - DECEMBER 31, 1985
STATE SAVINGS AND LOAN ASSOCIATION
ASSETS
(000's Omitted)

Name and Location of Association	Cash and Securities	Mortgage Loans & Contracts	Other Loans	Fixed Assets And Real Estate	Other Assets	Total Assets
Hastings Savings and Loan Association, Hastings............	$ 4,089	$ 33,273	$ 208	$ 677	$ 502	$ 38,749
Iron Savings and Loan Association, Iron River.......................	2,173	5,656	143	9	79	8,060
Marshall Savings and Loan Association, Marshall............	2,002	25,009	3,212	501	328	31,052
New Buffalo Savings and Loan Association, New Buffalo.........	5,238	29,976	3,144	1,469	319	40,146
Sterling Savings and Loan Association, Pontiac.............	12,462	20,096	1,081	769	4,463	38,871
Macomb Savings and Loan Association, St. Clair Shores....	7,468	15,414	-	91	342	23,315
Franklin Savings and Loan Association, Southfield..........	16,125	124,131	11,090	1,801	1,791	154,938
Sturgis Savings and Loan Association, Sturgis.............	3,567	37,216	2,275	670	1,158	44,886
Three Rivers Savings and Loan Association, Three Rivers..........	22,334	54,316	2,264	2,785	1,638	83,337
Northwestern Savings and Loan Association, Traverse City.......	13,683	73,645	7,678	3,532	1,358	99,896
First Savings Association of Ypsilanti, Ypsilanti.............	3,491	36,730	888	814	755	42,678
TOTALS - 11 ASSOCIATIONS........	$92,632	$455,462	$31,983	$13,118	$12,733	$605,928

REPORTS OF CONDITION - DECEMBER 31, 1985
STATE SAVINGS AND LOAN ASSOCIATIONS
LIABILITIES AND NET WORTH
(000's Omitted)

Name and Location of Association	Passbook And Now Accounts	Time Deposits	Borrowed Money	Other Liabilities	Common Stock	Capital In Excess Of Par	Undivided Profits And Reserves
Hastings Savings and Loan Association, Hastings..........	$ 34,904	$ 312	$ 71	$ 158	$ -	$ -	$ 3,304
Iron Savings and Loan Association, Iron River........	1,444	6,254	-	7	-	-	355
Marshall Savings and Loan Association, Marshall..........	7,335	21,801	143	224	-	-	1,549
New Buffalo Savings and Loan Association, New Buffalo.......	9,880	27,904	150	404	-	-	1,808
Sterling Savings and Loan Association, Pontiac...........	1,517	26,276	40	8,571	1,882	471	114
Macomb Savings and Loan Association, St. Clair Shores..	4,399	16,376	-	819	-	-	1,721
Franklin Savings and Loan Association, Southfield........	54,200	82,042	10,604	1,593	4,580	1,423	496
Sturgis Savings and Loan Association, Sturgis...........	11,136	31,435	-	378	-	-	1,937
Three Rivers Savings and Loan Association, Three Rivers......	20,007	55,763	3,110	915	-	-	3,542
Northwestern Savings and Loan Association, Traverse City.....	10,052	77,919	5,083	1,610	200	599	4,433
First Savings Association of Ypsilanti, Ypsilanti...........	10,709	20,394	6,242	3,061	-	-	2,272
TOTALS - 11 ASSOCIATIONS	$165,583	$366,476	$25,443	$17,740	$6,662	$2,493	$21,531

REPORTS OF CONDITION - DECEMBER 31, 1985
FEDERAL SAVINGS AND LOAN ASSOCIATIONS
ASSETS
(000's Omitted)

	Cash And Securities	Mortgage Loans and Contracts	Other Loans	Fixed Assets And Real Estate	Other Assets	Total Assets
First Federal Savings and Loan Association of Lenawee County, Adrian	$ 30,806	$ 138,072	$ 1,766	$ 2,115	$ 1,883	$ 174,642
Homestead Savings and Loan, F.A. Albion	3,766	19,308	394	1,143	349	24,960
First Federal Savings and Loan of Alpena, Alpena	9,747	49,893	1,056	1,595	776	63,067
US Mutual Savings and Loan Association, A Federal Savings and Loan Association, Ann Arbor	36,292	239,483	1,845	15,089	13,360	306,069
Great Lakes Federal Savings and Loan Association, Ann Arbor	193,435	1,725,172	281,734	33,107	170,325	2,403,773
Mutual Savings and Loan Association, F.A., Bay City	109,800	866,133	44,108	26,313	29,840	1,076,194
Bloomfield Savings & Loan Association, F.A., Birmingham	86,630	433,450	49,819	18,792	87.125	675,816
LaSalle Federal Savings and Loan Association, Buchanan	12,802	86,804	556	1,584	3,557	105,303
Eaton Federal Savings and Loan Association, Charlotte	21,249	59,501	2,142	2,295	844	86,031
Branch County Federal Savings and Loan Association, Coldwater	13.439	42.866	2,210	1,629	829	60,973
Dearborn Federal Savings and Loan Association, Dearborn	11,776	141,723	1,335	2,766	2,214	159,814
First Dearborn, F.A., Dearborn	35,908	173,318	3,672	18,446	34,581	265,925
Detroit Federal Savings and Loan Association, Detroit	16,075	81,443	20,472	2,845	7,648	128,483
First Federal of Michigan, Detroit	2,170,399	7,038,094	217,636	78,158	273,650	9,777,937
Home Federal Savings Bank, Detroit.	4,020	16,600	614	546	612	22,392
Northern Michigan Savings Bank, FSB, Escanaba	*	*	*	*	*	*
United Savings & Loan Association, F.A. Farmington Hills	11,232	37,025	517	332	1,101	50,207
MetroBanc, Federal Savings Bank, Grand Rapids	56,253	232,942	13,181	2,453	2,077	306,906
Mutual Home Federal Savings Bank Grand Rapids	43,065	243,118	48,059	6,821	5,119	346,182
West Side Federal Savings and Loan Association, Grand Rapids	11,011	61,685	0	546	759	73,920
Detroit & Northern Savings, F.A., Hancock	144.502	1,245,454	22,727	22,150	118,130	1,552,963
Ottawa Savings and Loan, F.A. Holland	30,436	151,911	4,233	2,254	2,403	191,237
First Federal Savings and Loan Association of Livingston County, Howell	39,033	105,100	7,166	2,512	2,761	156,572
Security Savings Bank, FSB, Jackson	57,228	104,554	24,318	3,163	7,240	196,503

REPORTS OF CONDITION - DECEMBER 31, 1985
FEDERAL SAVINGS AND LOAN ASSOCIATIONS
ASSETS
(000's Omitted)

	Cash And Securities	Mortgage Loans and Contracts	Other Loans	Fixed Assets And Real Estate	Other Assets	Total Assets
Fidelity Federal Savings and Loan Association, Kalamazoo............	$ 40,897	$ 135,992	$ 4,189	$ 4,828	$ 10,019	$ 195,925
First Federal Savings and Loan Association, Kalamazoo............	110,872	439,469	28,483	11,790	8,164	598,778
Capitol Federal Savings & Loan Association, Lansing..............	81,238	342,220	4,481	8,882	12,302	449,123
Union Federal Savings, Lansing.....	16,485	112,481	3,112	2,334	9,530	143,942
Ludington Federal Savings and Loan Association, Ludington............	10,467	18,549	256	468	487	30,227
Wolverine Federal Savings and Loan Association, Midland..............	10,037	80,095	3,408	1,843	2,097	97,480
Peoples Savings Bank, FSB, Monroe..	70,189	192,224	62,319	5,161	5,014	334,907
Colonial Central Savings Bank, FSB, Mount Clemens................	15,019	295,752	14,277	7,855	10,946	343,849
Muskegon Federal Savings and Loan Association, Muskegon.............	12,462	196,501	6,737	12,043	3,212	230,955
First Federal Savings Bank & Trust, Pontiac....................	91,378	947,608	209,125	32,760	79,172	1,360,043
Citizens Federal Savings and Loan Association, Port Huron...........	27,952	177,717	72,526	6,437	3,036	287,668
Family Federal Savings and Loan Association, Saginaw..............	67,470	249,491	5,334	10,351	23,468	356,114
Peoples Savings Association, F.A., St. Joseph........................	12,823	96,654	1,929	4,516	5,642	121,564
St. Joseph Savings and Loan Association, St. Joseph...........	72,427	65,969	5,262	1,243	5,888	150,789
Heritage Federal Savings Bank, Taylor............................	75,120	391,194	3,857	19,346	8,026	497,543
Guaranty Federal Savings Bank Taylor............................	27,011	148,656	50,254	2,991	18,745	247,657
Standard Federal Bank, Troy........	1,802,726	4,089,651	386,371	72,551	517,297	6,868,596
41 Federal Associations.........	$5,693,477	$21,273,872	$1,611,480	$ 451,972	$1,490,228	$30,521,029

*Figures not available for year-end.

REPORTS OF CONDITION - DECEMBER 31, 1985
FEDERAL SAVINGS AND LOAN ASSOCIATIONS
LIABILITIES AND NET WORTH

(000's Omitted)

Name and Location of Association	Total Deposits	Borrowed Money	Other Liabilities	Common Stock	Capital In Excess Of Par	Undivided Profits And Reserves
First Federal Savings and Loan Association of Lenawee County, Adrian	$ 155,548	$ -0-	$ 2,830	$ -0-	$ -0-	$ 16,264
Homestead Savings and Loan, F.A., Albion	23,071	$ 305	263	-0-	-0-	1,321
First Federal Savings and Loan Association of Alpena, Alpena	59,391	277	344	-0-	-0-	3,055
US Mutual Savings and Loan Association, a Federal Savings and Loan Association, Ann Arbor.	286,668	18,401	4,811	-0-	-0-	(3,811)
Great Lakes Federal Savings and Loan Association, Ann Arbor	1,615,440	631,442	66,836	38	35,389	54,628
Mutual Savings and Loan Association, F.A., Bay City	639,737	385,978	21,206	-0-	-0-	29,273
Bloomfield Savings & Loan Association, F.A., Birmingham	595,643	53,166	6,524	3,544	9,247	7,692
LaSalle Federal Savings and Loan Association, Buchanan	100,503	180	1,559	-0-	-0-	3,061
Eaton Federal Savings and Loan Association, Charlotte	76,565	-0-	2,509	-0-	-0-	6,957
Branch County Federal Savings and Loan Association, Coldwater	58,165	-0-	339	-0-	-0-	2,469
Dearborn Federal Savings and Loan Association, Dearborn	135,920	12,850	5,173	-0-	-0-	5,871
First Dearborn, F.A., Dearborn	257,520	8,661	939	-0-	-0-	(1,195)
Detroit Federal Savings and Loan Association, Detroit	113,717	6,189	6,252	-0-	-0-	2,325
First Federal of Michigan, Detroit	4,571,623	4,649,520	239,438	109	80,103	237,144
Home Federal Savings Bank, Detroit	20,708	-0-	250	-0-	-0-	1,434
Northern Michigan Savings Bank, FSB, Escanaba	*	*	*	*	*	*
United Savings & Loan Association, F.A., Farmington Hills	47,447	-0-	170	2,437	609	(456)
MetroBanc, Federal Savings Bank, Grand Rapids	281,692	834	5,242	1,255	7,084	10,799
Mutual Home Federal Savings Bank, Grand Rapids	317,869	5,543	10,161	975	4,122	7,512
West Side Federal Savings and Loan Association, Grand Rapids	69,023	-0-	350	-0-	-0-	4,547
Detroit & Northern Savings, F.A., Hancock	917,612	515,503	37,221	31	23,320	59,276
Ottawa Savings and Loan, F.A., Holland	177,444	1,703	2,546	-0-	-0-	9,544
First Federal Savings and Loan Association of Livingston County, Howell	149,521	4	2,903	-0-	-0-	4,144
Security Savings Bank, FSB, Jackson	177,869	5,203	1,547	481	2,985	8,418

REPORTS OF CONDITION - DECEMBER 31, 1985
FEDERAL SAVINGS AND LOAN ASSOCIATIONS
LIABILITIES AND NET WORTH

(000's Omitted)

Name and Location of Association	Total Deposits	Borrowed Money	Other Liabilities	Common Stock	Capital In Excess Of Par	Undivided Profits And Reserves
Fidelity Federal Savings and Loan Association, Kalamazoo...........	187,388	-0-	946	-0-	-0-	7,591
First Federal Savings and Loan Association, Kalamazoo...........	493,942	53,326	9,159	18	14,353	27,980
Capitol Federal Savings & Loan Association, Lansing.............	425,990	-0-	4,625	-0-	-0-	18,508
Union Federal Savings, Lansing.....	133,960	-0-	3,084	-0-	-0-	6,898
Ludington Federal Savings and Loan Association, Ludington............	28,945	-0-	144	-0-	-0-	1,138
Wolverine Federal Savings and Loan Association, Midland.............	85,145	6,500	1,040	-0-	-0-	4,795
Peoples Savings Bank, FSB, Monroe..	297,208	19,993	4,907	-0-	-0-	12,799
Colonial Central Savings Bank, FSB, Mount Clemens................	272,429	46,728	13,642	1	4,255	6,794
Muskegon Federal Savings and Loan Association, Muskegon.............	215,475	15,131	2,317	-0-	-0-	(1,968)
First Federal Savings Bank & Trust, Pontiac..........................	785,846	512,193	30,217	-0-	-0-	31,787
Citizens Federal Savings and Loan Association, Port Huron...........	272,460	-0-	4,131	-0-	-0-	11,077
Family Federal Savings and Loan Association, Saginaw..............	344,109	6,186	2,422	-0-	-0-	3,397
Peoples Savings Association, F.A., St. Joseph.......................	115,365	-0-	2,086	-0-	-0-	4,113
St. Joseph Savings and Loan Association, St. Joseph...........	133,031	5,716	3,773	-0-	-0-	8,269
Heritage Federal Savings Bank, Taylor............................	394,858	60,[illegible]	19,322	-0-	-0-	23,363
Guaranty Federal Savings Bank, Taylor............................	214,024	[illegible]	2,364	10	1,990	2,448
Standard Federal Bank, Troy........	4,143,111	2,[illegible]46	97,611	-0-	-0-	244,428
41 Federal Associations..........	$19,391,982	$9,431,799	$621,203	$8,899	$183,457	$883,689

*Figures not available for year-end.

COMPARATIVE STATISTICAL DATA

STATE-CHARTERED SAVINGS AND LOAN ASSOCIATIONS

	12-31-81	12-31-82	12-31-83	12-31-84	12-31-85
Number of Associations	26	21	20	20	11
Number of branches	167	128	120	82	22
Number of savings accounts	715,737	538,453	475,363	313,560	71,313
Total savings accounts*	$3,636,951	$2,732,720	$2,711,097	$2,063,177	$532,059
Average savings account balance	$ 5,081	$ 5,075	$ 5,704	$ 6,580	$ 7,461
Total assets*	$4,190,972	$3,266,177	$3,516,288	$2,610,134	$605,928
Number of mortgage loans and contracts outstanding.	137,828	93,859	98,370	57,456	11,906
Number of new mortgage loans and contracts (year)	6,808	3,580	11,715**	9,510	2,361
Amount of new mortgage loans and contracts (year)*.	$ 266,431	$ 117,978	$ 691,221	$ 466,054	$166,173
Ratio of mortgage loans & contracts to total assets	86.8%	80.6%	78.6%	75.3%	75.2%
Ratio of cash and securities to total savings	8.8%	14.0%	16.6%	22.3%	17.4%
Ratio of borrowed money to total assets	9.7%	12.0%	17.2%	15.9%	4.2%
Ratio of net income (year) to average assets (year)	(1,08%)	0.11%	1.42%	0.33%	0.80%
Total interest paid or credited to savers (year)*	$ 392,211	$ 289,183	$ 234,021	$ 178,295	$ 38,543
Total net worth*	$ 166,354	$ 90,195	$ 140,564	$ 90,077	$ 30,686
Ratio of net worth to total assets	4.0%	2.8%	4.0%	3.5%	5.1%
Ratio of net worth to total savings	4.6%	3.3%	5.2%	4.4%	5.8%
Number of associations offering EFTs	0	0	2	3	1
Number of associations offering NOW accounts	23	19	19	19	9
Number of associations offering trust services	1	7	2	3	2

*000's Omitted

**Estimated

COMPARATIVE ASSET TOTALS AND ANNUAL ASSET INCREASE (DECREASE)

State-Chartered Savings and Loan Associations

1976-1985
(000's Omitted)

Year Ended	Total Assets	Annual Assets Increase or (Decrease)	
December 31, 1976	$2,865,700	$ 144,836	5.3%
December 31, 1977	$3,352,130	$ 486,430	17.0%
December 31, 1978	$3,764,746	$ 412,616	12.3%
December 31, 1979	$4,115,281	$ 350,535	9.3%
December 31, 1980	$4,450,313	$ 335,032	8.1%
December 31, 1981	$4,190,972	($ 259,341)	(5.8%)
December 31, 1982	$3,266,177	($ 924,795)	(22.1%)
December 31, 1983	$3,516,288	$ 250,111	7.7%
December 31, 1984	$2,610,134	($ 906,154)	(25.8%)
December 31, 1985	$ 605,928	($2,004,206)	(76.8%)

STATE SAVINGS AND LOAN ASSOCIATIONS

	1981	1982	1983	1984	1985
Number of Savings and Loan Associations - January 1	30	26	21	20	20
Plus: Charters granted	0	1	1	2	0
Conversions - Federal to State	0	0	0	0	0
Less: Mergers	4	3	1	0	1
Conversions - State to Federal	0	3	1	2	8
Number of Savings and Loan Associations - December 31	26	21	20	20	11

CHARTER APPLICATIONS

	1981	1982	1983	1984	1985
Charters Approved - Mutual/Capital Stock					
State	0/0	0/2	0/3*	0/2	0/0
Federal	0/0	3/0	0/2	0/5	0/1
Charters Denied - Mutual/Capital Stock					
State	0/0	0/0	0/0	0/0	0/0
Federal	0/0	0/0	0/0	0/0	0/0
New Savings and Loan Associations Opened - Mutual/Capital Stock					
State	0/0	0/1	0/1	0/2	0/0
Federal	0/0	0/0	0/2	0/5	0/1

*Includes one phantom savings and loan association.

SAVINGS AND LOAN ASSOCIATIONS AND BRANCH OFFICES

	1981	1982	1983	1984	1985
Savings and Loan Associations - Mutual					
State	22	16	15	13	8
Federal	33	32	28	26	24
Federal Savings Banks	-	-	2	2	6
Branches - Mutual					
State	147	108	102	67	13
Federal	410	454	389	392	163
Federal Mutual Savings Banks	---	---	---	---	165
Savings and Loan Associations - Capital Stock					
State	4	5	5	7	3
Federal	0	0	2	4	6
Federal Savings Banks	-	-	-	1	5
Branches - Capital Stock					
State	20	20	18	15	8
Federal	0	0	90	169	204
Federal Savings Banks	---	---	---	---	29

MERGERS IN WHICH RESULTING INSTITUTION IS A STATE SAVINGS AND LOAN ASSOCIATION

	1981	1982	1983	1984	1985
Merger Applications	2	0	1	0	0
Mergers Approved	1	1	1	0	0
Mergers Denied	0	0	0	0	0
Mergers Completed	1	1	1	0	0

MERGERS IN WHICH RESULTING INSTITUTION IS A FEDERAL SAVINGS AND LOAN ASSOCIATION

	1981	1982	1983	1984	1985
Merger Applications	5	2	1	0	2
Mergers Approved	3	6	1	0	2
Mergers Denied	0	0	0	0	0
Mergers Completed	3	6	1	0	2

SAVINGS AND LOANS ASSOCIATION MERGERS

Date Effective	Name	City
Sept. 30, 85	Central State Savings and Loan Association, F.A.	Mount Clemens
	Merged with Colonial Federal Savings and Loan Association of Grosse Pointe Woods	Grosse Pointe Woods
Dec. 1, 85	Peoples Savings and Loan Association of	Battle Creek
	Merged with Mutual Savings and Loan Association, F.A.	Bay City

CONVERSIONS

	1981	1982	1983	1984	1985
State Mutual to State Stock	0	1	0	1	0
State Stock to State Mutual	0	0	0	0	0
State Charter to Federal Charter	0	3	1	2	8
Federal Charter to State Charter	0	0	0	0	0
Federal Mutual to Federal Stock	0	0	2	2	2
Federal Stock to Federal Mutual	0	0	0	0	0
Federal Association to Federal Savings Bank (Stock)	-	-	2	1	1
Federal Association to Federal Savings Banks (Mutual)	-	-	2	2	3

CONVERSIONS FROM STATE TO FEDERAL

Date Effective	City	From	To
Jan. 31, 85	Mt. Clemens	Central State Savings and Loan Association	Central State Savings and Loan Association, F.A.
Feb. 26, 85	Holland	Ottawa Savings and Loan Association	Ottawa Savings and Loan, F.A.
Apr. 25, 85	Farmington Hills	United Savings & Loan Association	United Savings & Loan Association, F.A.
July 25, 85	Bay City	Mutual Savings and Loan Association	Mutual Savings and Loan Association, F.A.
Aug. 20, 85	St. Joseph	St. Joseph Savings and Loan Association	St. Joseph Savings and Loan Association, F.A.
Oct. 30, 85	Jackson	Security Savings and Loan Association	Security Savings Bank, F.S.B.
Nov. 13, 85	Ann Arbor	USM Savings and Loan Association	USM Savings Bank, F.S.B.
Dec. 18, 85	St. Joseph	Peoples Savings Association	Peoples Savings Association, F.A.

CONVERSIONS FROM FEDERAL MUTUAL TO FEDERAL STOCK

Date Effective	City	Name of Association
Feb. 21, 85	Hancock	Detroit & Northern Savings, F.A.
Mar. 6, 85	Kalamazoo	First Federal Savings and Loan Association of Kalamazoo

CONVERSIONS FROM FEDERAL ASSOCIATIONS TO FEDERAL SAVINGS BANKS

Date Effective	City	From	To
Mar. 20, 85	Detroit	Home Federal Savings and Loan Association	Heritage Federal Savings Bank
May 22, 85	Taylor	Down River Federal Savings and Loan Association	Home Federal Savings Bank
June 20, 85	Taylor	Guaranty Federal Savings and Loan Association .	Guaranty Federal Savings Bank

OTHER CONVERSIONS (STATE & FEDERAL)

Date Effective	City	From	To
Nov. 26, 85	Ann Arbor	USM Savings Bank, FSB	U.S. Mutual Savings and Loan Association, A Federal Savings and Loan Association
Dec. 31, 85	Escanaba	Northern Michigan Bank, Escanaba Northern Michigan Bank of Kingsford Northern Michigan Bank of Marquette	Northern Michigan Savings Bank, FSB Escanaba

RELOCATION OF MAIN OFFICE

Date Effective	Name	From	To
Sept. 3, 85	Security Savings Bank, F.S.B.	115 West Michigan, Jackson	301 West Michigan, Jackson
Sept. 30, 85	Colonial Central Savings Bank, FSB	20599 Mack Avenue, Grosse Pointe Woods	36800 Gratiot Avenue Mount Clemens
Nov. 18, 85	Franklin Savings and Loan Association	26336 West 12 Mile Road Southfield	26400 West 12 Mile Road Southfield

BRANCH APPLICATIONS

	1981	1982	1983	1984	1985
Branch Applications - Mutual/Capital Stock					
State	4/1	3/1	11/12	1/2	0/5
Federal	11/0	0/0	1/0	0/1	3/4
Branches Approved - Mutual/Capital Stock					
State	3/0	3/1	11/12	0/2	0/5
Federal	10/0	1/0	0/0	3/12	3/4
Branches Denied - Mutual/Capital Stock					
State	0/1	0/0	0/0	0/0	0/0
Federal	0/0	0/0	0/0	0/0	0/0
Branches Opened - Mutual/Capital Stock					
State	5/1	0/1	11/12	0/2	0/2
Federal	13/0	5/0	0/0	1/15	5/1

BRANCH OFFICES ESTABLISHED

Date Effective	Name	City-Main Office	Location of Branch
Mar. 25, 85	Standard Federal Bank	Troy	420 W. McKinley, Mishawaka, IN
Mar. 25, 85	Standard Federal Bank	Troy	4640 S. Michigan, South Bend, IN.
Mar. 25, 85	Standard Federal Bank	Troy	3501 South Main, Elkhart, IN
Apr. 26, 85	Standard Federal Bank	Troy	4850 Western Avenue, South Bend, IN
Aug. 28, 85	Mutual Savings and Loan Association, F.A.	Bay City	914 E. Pickard, Mt. Pleasant
Sept. 3, 85	Security Savings Bank, F.S.B.	Jackson	115 W. Michigan Jackson
Nov. 4, 85	Sterling Savings and Loan Association	Pontiac	50 North Custer Clawson
Nov. 5, 85	First Federal of Michigan	Detroit	4300 W. Main, Kalamazoo
Dec. 2, 85	Great Lakes Federal Savings and Loan Association	Ann Arbor	180 Monroe, N.W., Grand Rapids

BRANCH OFFICES CLOSED

Date Effective	Name of Association	City-Main Office	Location of Branch
Mar. 1, 85	First Federal of Michigan	Detroit	6705 S. Division, Cutlerville
Mar. 1, 85	First Federal of Michigan	Detroit	1732 Michigan, N.E., Grand Rapids
Aug. 30, 85	Standard Federal Bank	Troy	211 E. Rudisill Blvd. Fort Wayne, IN.

SAVINGS AND LOAN ASSOCIATIONS AUTHORIZED TO EXERCISE TRUST POWERS (CORPORATE AND PERSONAL)

Date Effective	Name of Association	City
Mar. 8, 85	Citizens Federal Savings and Loan Association of Port Huron	Port Huron

OFFICE OF POLICY AND CONSUMER AFFAIRS

MURRAY E. BROWN
Deputy Commissioner

The Office of Policy and Consumer Affairs is composed of three divisions. The Consumer Finance Division regulates the activities of licensed regulatory lenders, motor vehicle installment loan licensees, sales finance companies, secondary mortgage lenders, credit card issuers and those who sell money orders, drafts and travelers checks.

The Policy Division is responsible for the analysis and development of legislation which affects financial institutions or the users of financial services. Major research activities are undertaken in response to requests from the Bureau, the Department of Commerce, the Governor's Office, or from various legislators or legislative committees. This Division also administers the consumer education activities of the Bureau and is responsible for the promulgation of all administrative rules for the Bureau.

The Urban Investment Division is charged with the responsibility to administer and enforce the provisions of Michigan's Mortgage Anti-Redlining law (Public Act No. 135 of 1977). In addition to producing the legislatively-mandated annual report, this Division responds to consumer complaints filed against mortgage lenders. The Division also works closely with the Community Investment Advisory Committee which was formed in 1980 to advise the Commissioner on methods to improve the Mortgage Anti-Redlining Annual Report and to suggest ways to make the Bureau's urban investment program more effective.

The Office of Policy and Consumer Affairs will experience a restructuring during 1986. The Policy and Urban Investment Divisions will be combined and renamed the Research and Urban Investment Division. The Consumer Finance Division will be renamed the Consumer and Industrial Finance Division to reflect its new responsibility to license and regulate business and industrial development corporations.

POLICY DIVISION

Russell E. LaCoursier
Economic Analyst

Peter Kuhnmuench
Policy Analyst

Marcia Miller
Policy Analyst

The Policy Division is responsible for the analysis and development of legislation which affects financial institutions and users of financial services. Most of the Division's efforts are directed in support of its legislative functions, including the drafting of legislation, analyzing proposed legislation and testifying at legislative and public hearings. The Division also administers the Bureau's rules promulgation function, coordinates its consumer education activities, and is responsible for handling consumer complaints and inquiries involving such topics as usury, due-on-sale clauses, mortgage escrow accounts and electronic funds transfer services.

Major Legislative Projects

The Policy Division was involved in the development of several major legislative projects during the course of 1985. The Division worked closely with the Department of Treasury and the Department of Agriculture in the development and implementation of the Michigan Agricultural Assistance Loan Program. Under this program, $139 million was made available for loans to financially distressed farmers at below-market interest rates. The Bureau, in cooperation with the Department of Treasury will continue to monitor the lending activities of the participating institutions and production credit associations until the expiration of this program in October of 1987.

The Bureau was also instrumental in the passage of significant legislation dealing with interstate banking acquisitions. For a detailed description of the provisions of this new legislation, see "Significant Developments."

Other projects undertaken by the Policy Division during 1985 include providing technical assistance for a modernization of the Credit Union Act of 1968 and the development of Business and Industrial Development Corporations (BIDCO) legislation. In addition, the Division is involved in the development of legislation which would regulate first mortgage companies by providing for licensing, examinations, and bonding requirements. The Division has also developed legislation which modernizes the Sale of Checks Act in response to the recommendations of the Sale of Checks Advisory Committee. The Division is drafting legislation to amend the Savings and Loan Act of 1980 to allow for the formation of state-chartered savings banks. Finally, the Bureau has established an Omnibus Licensing Advisory Committee, as alluded to earlier, which will examine the concept of multiple-activity licensing and make recommendations for implementation of this proposal.

Rules Promulgation

The only rules promulgation initiated by the Bureau during 1985 was an amendment to the administrative rules for banks to include securities of the African Development Bank in the list of securities which may be underwritten by state-chartered banks. This amendment was undertaken at the request of the law firm of Arent, Fox, Kintner, Plotkin and Kahn of Washington, D.C., which represents the African Development Bank in this country.

Consumer Activities

The Division's consumer education function is carried out in several ways. It provides speakers to address consumer groups, coordinates the Bureau's handling of consumer complaints and inquiries involving financial institutions, and publishes brochures and fact sheets on financial topics.

Although the Division published no brochures in 1985, it updated its table, Michigan

Statutory Interest Rate Ceilings, to incorporate changes in state law. Brochures previously published by the division include: "What You Should Know About Mortgage Escrow Accounts," "Taking Interest In Your Savings," "How to Shop for Credit," "Bank Credit Cards and Average Daily Balance," "Mortgage Redlining - Your Rights and Responsibilities" and "Mortgage Review Boards - How They Can Help You!"

In 1985, the four regulatory divisions and the Policy Division were responsible for responding to consumer questions and concerns about financial institutions and other creditors. Table I represents the industry breakdown of the complaints and inquiries handled in 1984 and 1985. In 1985, the Bureau handled or responded to 790 consumer complaints and inquiries, down 311 from 1984. Table II gives the most frequent categories of complaints and inquiries in 1985. Usury was the most common topic of inquiry, largely due to the complexity of the state and federal interest rate ceilings. The number of usury-related inquiries in 1985 was 243 as compared to 462 recorded in 1984.

TABLE I

Number of Complaints and Inquiries Received By Industry Group

Industry Group	Complaints		Inquiries		Total	
	1984	1985	1984	1985	1984	1985
Banks	143	129	150	112	293	241
Credit Unions	81	65	39	55	120	120
Savings & Loans	25	8	17	16	42	24
Motor Vehicle Licensees	2	3	2	0	4	3
Regulatory Loan Licensees	0	0	0	2	0	2
Secondary Mortgage Licensees	1	0	0	4	1	4
Sale of Check Licensees	0	0	2	0	2	0
Retailers, Mortgage Companies and Others	34	15	605	381	639	396
TOTALS	286	220	815	570	1,101	790

TABLE II

Most Frequent Types of Complaints and Inquiries Received During 1985

	Category	Complaints	Inquiries	Total
1.	Usury	3	240	243
2.	Due-on-Sale Clauses	3	35	38
3.	Escrow Accounts	13	15	28
4.	Checking Accounts	26	1	27
5.	Installment Loans - general	14	4	18
6.	Savings and Time Accounts	14	46	60
7.	EFT	12	6	18

Electronic Fund Transfer (EFT) Activities in Michigan

The Bureau obtained information on EFT systems through questionnaires mailed to all state-chartered depository institutions and multi-bank holding companies. To avoid a double count, no questionnaires were sent to banks which were subsidiaries of multibank holding companies.

Of the 126 independent state-chartered banks, 118 or 93.7% of the total, responded to the survey. Subsidiary banks of one-bank holding companies were treated as unaffiliated banks in compiling results. All of the 24 bank holding companies, accounting for 192 banks, responded to the questionnaire. All of the 12 state-chartered savings and loan associations responded to the survey. Of the 480 state-chartered credit unions, 426, or 88.8% of the total filed responses.

The Bureau also conducted a telephone survey of the 37 federal savings and loan associations with 35 institutions responding. Both of the major non-financial institution providers, MAGIC LINE and QUANTUM, supplied information on their shared networks.

Table I shows that at year-end 1985, responding financial institutions owned or leased 2,151 automated teller machines (ATMs) as compared to 2,132 owned or leased as of December 31, 1984. Of this total, 1,653 ATMs, or 76.8% were on the premises of a financial institution and 1,976 ATMs, or 91.9% were shared.

Table I. - Automated Teller Machines (ATMs)
Owned or Leased by Responding Organizations and Financial Institutions

	12/31/84	12/31/85
No. of ATMs	2,132	2,151
on-premise	1,723	1,653
off-premise	409	498
shared	1,886	1,973
unshared	246	175
Staffed Terminals	795	645
Total Terminals (ATMs & Staffed)	2,927	2,796

Multibank holding companies (MBHCs) reported that their subsidiary banks owned or leased a total of 1,455 ATMs, of which 1,254 were on-premise and 201 were off-premise. Table II shows that 97.9% of the ATMs owned or leased by subsidiary banks of MBHCs were shared. Of the 1,423 shared ATMs, 1.7% were shared by only subsidiary banks of the same holding company, while 98.3% were shared by both subsidiary banks and unaffiliated institutions. MBHCs deployed 1,110 ATMs that were part of MAGIC LINE. MBHCs also reported that they owned or leased approximately 600 staffed terminals (terminals at which a teller routinely assists the customer in completing a transaction) at year end 1985, as compared with 795 one year earlier. Finally, MBHCs reported that 602 of their ATMs were linked with an interstate EFT system, as compared to 298 for year end 1984.

Table II. - Automated Teller Machines (ATMs)
Responding Multibank Holding Companies as of December 31, 1985

	On-premise	Off-premise
Total ATMs	1,254	201
shared (subsidiaries only)	24	0
shared (any institution)	1,202	198
unshared	28	2
Staffed Terminals	645	

As shown in Table III, membership of MAGIC LINE increased in 1985 by 29 financial institutions to 250 (139 banks, 13 savings and loans, and 98 credit unions) from 221 one year earlier. Table IV shows that QUANTUM's membership increased from 65 institutions in 1984 to 89 (10 banks, 4 savings and loans, and 75 credit unions) at year end. As of December 31, 1985 there were 1,578 ATMs in the MAGIC LINE network of which 1,166 were on-premise and 412 were off-premise. These figures compare with 1,548 (1,185 on-premise and 363 off-premise) reported by MAGIC LINE one year earlier.

Table III. - Automated Teller Machines (ATMs) and
Financial Institutions Which Were Part of MAGIC LINE*

	1983	1984	1985
No. of ATMs	1,450	1,548	1,578
on-premise	1,305	1,185	1,166
off-premise	145	363	412
No. of Staffed Terminals	503	634#	645#
No. of Financial Institutions	202	221	250
Banks	123	132	139
Savings and Loans	10	12	13
Credit Unions	69	77	98

* Information furnished by MAGIC LINE.
# Figure differs from that reported by MBHCs.

Table IV. - Automated Teller Machines (ATMs) and Financial Institutions Which Were Part of QUANTUM*

	1983	1984	1985
No. of ATMs	75	147	191
on-premise	60	111	141
off-premise	15	36	50
No. of Financial Institutions	53	65	89
Banks	5	12	10
Savings and Loans	2	3	4
Credit Unions	46	50	75

*QUANTUM's numbers are reflected in the MAGIC LINE total above.

MBHCs indicated that all of their 600 staffed terminals were in the MAGIC LINE system, as compared with 794 reported in 1984. QUANTUM network had 191 ATMs (141 on-premise and 50 off-premise) as compared with 147 (111 on-premise and 36 off-premise) one year earlier.

Unaffiliated state-chartered banks at year end reported that they owned or leased 149 ATMs (126 on-premise and 23 off-premise) which was unchanged from a year earlier. Savings and loan associations (state and federal) reported that they owned or leased 186 ATMs (93 on-premise and 93 off-premise; 144 shared and 42 unshared) as compared with 114 in 1984. State-chartered credit unions owned or leased 84 ATMs (60 on-premise and 24 off-premise; 74 shared and 9 unshared) as compared with 64 one year earlier.

URBAN INVESTMENT DIVISION

Richard Redmond
Compliance Examiner

Marian Kummerl
Program Analyst

The Urban Investment Division was established in 1978 to administer and enforce provisions of Michigan's Anti-Redlining Law (Public Act No. 135 of 1977). This act prohibits geographic discrimination in mortgage and home improvement lending and requires lenders to disclose annually, by census tract or ZIP code, mortgage and home improvement loans made, the average contract terms for these loans, the total number of loan applications denied and the reasons for denial.

The most recent report, the seventh to date, covers 1984 data, and includes analyses of mortgage lending patterns, the number and disposition of complaints filed with the Bureau, the enforcement of Acts 77-79, 84, 86-88 of 1979, and the activities of voluntary mortgage review boards. The Division analyzed the lending data in relation to demographic and housing characteristics in Michigan's 11 major metropolitan areas and prepared detailed analyses of the cities of Detroit, Pontiac and Flint. The report also included a comparison of Michigan mortgage lending volume with that of the nation.

Public Act 135 requires that an institution file disclosure reports within 90 days after the end of its fiscal year. Therefore, the Bureau did not receive loan data from the 539 institutions for calendar year 1984 until March 31, 1985.

In 1984, the number and total volume of mortgage loans in Michigan declined slightly following the robust increases posted in 1983. The total number of Federal Housing Administration/Farm Home Administration/Veterans Administration (FHA/FmHA/VA) loans fell 51.4% from the 1983 level, while the number of conventional mortgages increased 9.1% and the number of home improvement loans rose 1.9%. A likely explanation for the large decline in the number of FHA/FmHA/VA loans is that in 1984, the terms (interest rate and points) on FHA loans were unattractive relative to those available on conventional mortgage financing. In Michigan Standard Metropolitan Statistical Areas (SMSAs), total 1-to-4 family mortgage lending edged 2.5% lower to $2,436 billion. Total 1-to-4 family lending by banks and mortgage companies dropped 13.4% and 15.6% respectively, but increased 6.2% for savings and loan associations. The percentage share of total 1-to-4 family lending accounted for by savings and loan associations in Michigan SMSA's increased to 57.4% from 52.7% one year earlier. During 1984, in spite of an increase in interest rates, mortgage lending activity nearly matched the level of 1983. Continuing improvement in the Michigan economy helped to support the level of mortgage lending activity and the unemployment rate ratcheted downward from 12% to just over 10%.

Between 1983 and 1984, there was a significant increase in the percentage of FHA/FmHA/VA loans made in moderate-to-high minority census tracts for nearly all the SMSAs and cities analyzed. The cities of Pontiac and Detroit were the only areas not reporting an increase.

However, a completely different pattern was observed for the percentages of conventional mortgage loans and home improvement loans made in moderate-to-high minority tracts. Between 1983 and 1984, the percent of conventional mortgage loans made in moderate-to-high minority tracts decreased in nine of the 14 SMSA's and cities analyzed, while the percent of home improvement loans made in these tracts decreased in eight of the 14 SMSA's and cities analyzed.

In 1984, as in previous years, the percent of FHA/FmHA/VA loans made in moderate-to-high minority tracts was greater than the percent of single-family structures in those tracts for 12 of the 14 SMSAs and cities analyzed.

Conversely, the percent of conventional mortgage loans made in moderate-to-high minority tracts was less than the percent of single-family structures in those tracts for 13 of the 14 SMSA's and cities analyzed. The Bureau's analysis revealed an increase in the percentage of FHA/FmHA/VA loans made in low income tracts in all 14 of the SMSAs and cities analyzed.
The patterns in FHA/FmHA/VA and conventional mortgage lending might reflect lenders' attempts to minimize risk in moderate-to-high minority neighborhoods. Lenders have shown greater willingness to make FHA/FmHA/VA loans in such neighborhoods, in part, because they are able to shift the risk to the guarantor. Another possible reason is that mortgage companies, which made over 80% of the total number of FHA and VA mortgage loans made in the state in 1984, may be more active in moderate-to-high minority neighborhoods than in other neighborhoods. A third possible explanation for this lending pattern is that mortgage applicants in such areas may find the terms of FHA and VA loans more attractive or acceptable.

During 1984, the number of conventional mortgage loan foreclosures as a percent of single-family structures in low minority tracts was lower than comparable percentages in moderate-to-high minority tracts in nine of the 15 SMSAs and cities analyzed. This pattern is marginally different from that observed in analysis of foreclosure rates during the preceding five years. During this period, the foreclosure rates in moderate-to-high minority tracts were lower than the foreclosure rates in low minority tracts for more than half of the SMSAs and cities analyzed.

Voluntary Mortgage Review Boards

The Division received several telephone and written inquiries from consumers in 1985, but did not receive any formal complaints filed pursuant to the Act. There were 64 complaints filed with voluntary mortgage review boards (VMRBs). The Detroit mortgage review committee responded to 59 complaints filed pursuant to the Act, or approximately 90% of the complaints filed.

On September 12, 1985 the Division met with representatives of a majority of VMRBs to discuss composition and purpose of VMRBs, a centralized VMRB hotline, a brochure describing the operation of VMRBs, and the need for uniform guidelines and standards for VMRBs. The Division may, in the future, serve as a clearinghouse for VMRB-related information to facilitate cross-fertilization among boards.

Community Investment Advisory Committee

The Community Investment Advisory Committee (CIAC) was formed in 1980 to advise the Bureau on methods to improve the accuracy and usefulness of the Mortgage Anti-Redlining Annual Report and to suggest ways to make the Bureau's urban investment program more effective. Its quarterly meetings in 1985 produced several recommendations relative to PA 135 and to community reinvestment initiatives.

The CIAC-proposed amendments to PA 135 are contained in a bill, HB 5255, now before the Legislature. These amendments would change the disclosure period from fiscal year to calendar year, consistent with the Federal Home Mortgage Disclosure Act. The bill would also allow state-chartered savings and loan associations to file loan application registers maintained pursuant to federal regulations in lieu of certain state disclosures. This change would reduce costs for state savings institutions, since they could file registers already maintained under federal requirements.

Under section 4 of PA 135, a financial institution or other type of mortgage lender may, with the permission of the Commissioner, offer more advantageous loan terms based on location of the property in a specific geographic area. The CIAC was concerned that some lenders were not participating because of a perception that the approval process was costly and time consuming. With only one lender, Manufacturers National Bank of Detroit, participating in a section 4 program, the Bureau, at the urging of the CIAC, wrote the state's largest lenders advising them of section 4 programs and describing the simple approval process. The letters did not produce any new commitments from lenders to participate in section 4 programs. Lenders represented on the CIAC cited the financial problems encountered over the previous three years by savings and loan associations, the likelihood that Section 4 loans were costly to service, and the inability to sell the loans in the secondary market as possible reasons for the lack of interest. Some lenders suggested that offering below-market interest rates to low income borrowers is a role more befitting the Michigan State Housing Development Authority (MSHDA).

The CIAC recommended that MSHDA and the Bureau encourage depository institutions to become more involved in MSHDA programs. One reason given for the relatively low level of participation was a concern by lenders that MSHDA programs involved an inordinate amount of paperwork and did not provide a mechanism for lenders to recoup their costs.

MSHDA and the Bureau met in December with representatives from major financial institutions. MSHDA staff took that opportunity to apprise representatives of the largest bank holding companies in Michigan of recent program developments which had made it easier for lenders to participate with a minimum of paperwork. MSHDA staff committed to amend and adjust programs, within constraints imposed by federal guidelines, in order to increase lender participation. Of particular concern is the lack of lender participation in its Home Improvement Program (HIP), Neighborhood Improvement Program (NIP) and the Michigan Energy Bank Program.

Future such meetings are intended to promote a partnership between MSHDA and credit granting institutions, consistent with the Bureau's objective to promote more affirmative approaches to the enforcement of P.A. 135. The Bureau's objectives and goals relative to community reinvestment and other affirmative approaches to the enforcement of P.A. 135 are contained in the Appendix - "Testimony of Commissioner Eugene W. Kuthy Before House Mortgage and Appraisal, Redlining and Real Estate Practices Sub-Committee of the Urban Affairs Committee, March 13, 1985."

Below is a current list of the members of the Advisory Committee:

Richard Baker, Statewide Coalition on Redlining & Neighborhoods
John Burmeister, Union Federal Savings & Loan Association
Richard E. Clifton, Security Savings & Loan Association
Suzanne Thelen, Michigan AFL-CIO
Homer Fox, New Detroit, Inc.
Mary Fowlie, Standard Federal Savings & Loan Association
Frank Garrison, United Auto Workers Union
Vicki Gillette, Michigan Housing Coalition
Larry Kish, Michigan Credit Union League
Michael Markovich, Lomas & Nettleton
Jim Paquet, Michigan Consumers Council
Brandon Rogers, Brandon M. Rogers & Associates
Brenda Schneider, Manufacturers National Corporation
Wallace Tupper, Old Kent Bank of Hillsdale
Patricia Valerius, League of Women Voters
Daniel S. Voydanoff, National Bank of Detroit

CONSUMER FINANCE DIVISION

John W. Drury
Director

Michael Gomez
Examiner

Roger H. Lonsway
Examiner

Barbara L. Strefling
Examiner

Todd C. Troutman
Examiner

Regulatory Loan Act

At year-end 1985 there were 70 licensees, down from 72 at the end of 1984. During the year, 2 licenses were issued and 4 were cancelled. The industry experienced a net loss in earnings of $709,000, compared to net earnings of $202,000 in 1984. Loans receivable were up by $5.5 million over 1984, but gross income fell $444,000. Interest on borrowed funds increased $686,000 and management charges to branches by home offices reflected an increase of approximately $900,000.

The staff examined 64 licensees in 1985. Overcharges to borrowers of $15,449 were found and refunded to borrowers.

Secondary Mortgage Act

Issuance of 5 licenses and cancellation of 4 licenses in 1985 resulted in a year-end total of 76 licensees, one more than in 1984.

Overcharges of $13,759 were found and refunded to borrowers as a result of the 74 examinations conducted in 1985.

On November 15, 1985, Governor Blanchard signed into law Senate Bill 81 (P.A. 155) which removed a sunset provision and made permanent an interest rate ceiling of 18% per annum on secondary mortgage loans.

The Bureau conducted a survey of licensees at year-end, regarding loans and accounts outstanding at year-end 1985. This survey indicated that there were 8,053 accounts outstanding, totaling $79,277,878. This survey also revealed that loans made during the year carried interest rates ranging from 11% to the maximum of 18%. Loans were requested last year primarily for bill consolidation and home improvements. There were 31 foreclosures initiated during the year. The average outstanding balance on loans at year-end was $9,844.51. The number of outstanding loans increased over 4,900 from the previous year and the dollar amount reflected an increase of $34,274,814.

Motor Vehicle Sales Finance Act

This Act provides for licensing in two areas. Automobile dealers selling finance contracts, or holding their own contracts must be licensed as 'Installment Sellers' under the Act. Entities which purchase motor vehicle finance contracts from an 'Installment Seller' must be licensed as 'Sales Finance Companies'. The Act provides for examination of both Installment Sellers and Sales Finance Companies.

At year-end 1985 there were 1,749 installment sellers in Michigan, up 4 from year-end 1984. There were 1,868 sales finance companies, down

71 from 1984, including 1,599 state and national bank offices licensed as sales finance companies.

Twenty-three complaints against licensees were investigated and one examination was conducted during 1985. (Legislation is pending to fund a more extensive examination program). Refunds to borrowers as a result of the investigations and examinations amounted to $105,697 during the year.

At year-end the 1,868 sales finance companies licensed under the Motor Vehicle Sales Finance Act had 1,158,373 vehicles financed in Michigan for $7,578,428,647. These licensees indicated that the lowest interest rate on vehicles financed in 1985 was 6.75%. There were 12 licensees who reported no outstanding accounts on balances at year-end 1985. The average outstanding balance was $6,544.

Sale of Checks Act

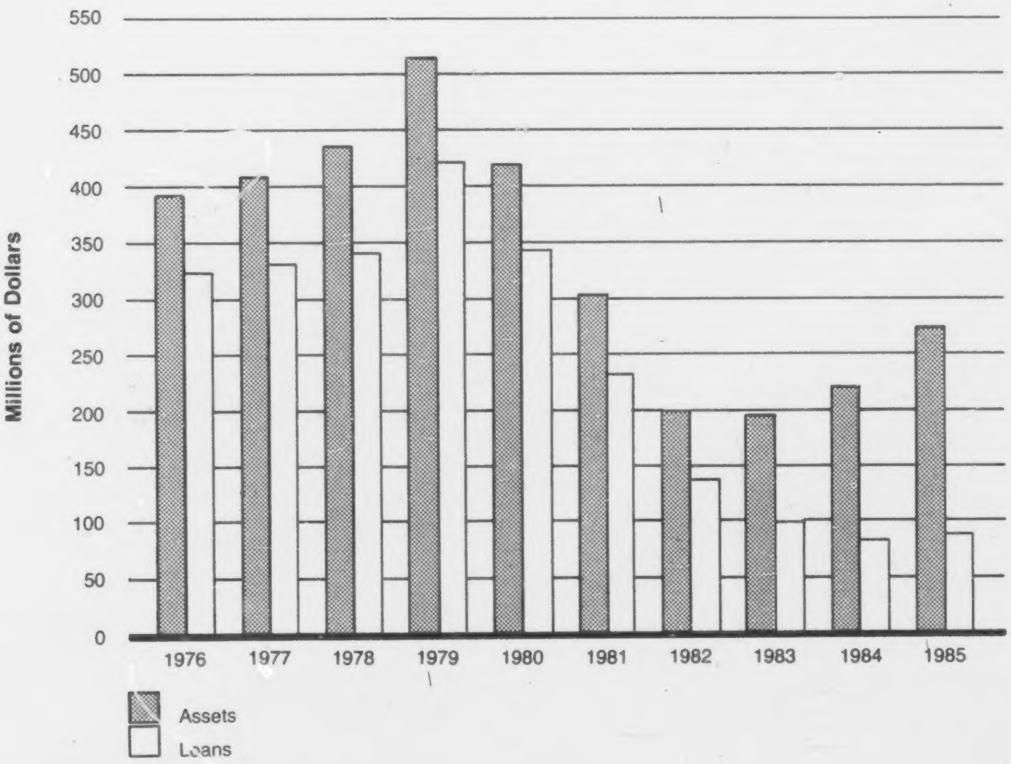
This Act regulates the sale and issuance of money orders and travelers checks and provides for the examination of licensees. There were 17 licensees at year end 1985. These licensees had 6,032 agents and sold instruments in Michigan totaling $1,369,121,359. The division examined 2 licensees during the year.

As a result of the deliberations of the Sale of Checks Advisory Committee appointed by Commissioner Kuthy, legislation has been introduced to revise and update this Act.

Credit Card Act

This act provides for the licensing and examination of non-depository issuers of credit cards. At year-end 1985 there were no licensees under the Act.

COMPARATIVE CHART OF ASSETS AND LOANS OF REGULATORY LOAN LICENSEES IN MICHIGAN



CONSOLIDATED BALANCE SHEET

Regulatory Loan Licensees

(000's Omitted)

	December 31, 1984 72 Licensees	December 31, 1985 70 Licensees	Percent Increase (Decrease)
ASSETS			
Cash on hand and in banks	$ 636	$ 573	(9.9)%
Loans receivable	83,605	89,174	6.7
Real estate (less depreciation)	0	0	---
Furniture, fixtures and equipment (less depreciation)	0	0	---
Deferred charges and prepaid expenses	83	103	24.1
Other assets	1,086	1,617	48.9
Total Assets used in Regulatory Loan Business	85,410	91,467	7.1
Other Assets not used in Regulatory Loan Business	134,872	183,305	35.9
TOTAL ALL ASSETS	$220,282	$274,772	24.7
LIABILITIES AND CAPITAL			
Accounts and notes payable:			
Banks	4,883	6,096	24.8%
Due parent company or affiliate	32,900	51,716	57.2
Other short term notes and accounts	9,128	9,078	(.5)
Bonds and long term notes	8,234	8,881	7.9
Other Liabilites:			
Accrued expenses	199	370	85.9
Dealer reserves	933	798	(14.5)
Other	436	67	(84.6)
Expense reserves:			
Reserves for licenses and taxes	260	334	28.5
Other expense reserves	1,089	323	(70.3)
Reserve for bad debts	1,242	1,012	(18.5)
Branch office capital	149,147	184,408	23.6
Net worth	630	170	(73.0)
Capital Stock:			
Preferred	763	777	1.8
Common	1,086	1,061	(2.3)
Appropriated surplus or capital reserves	4,135	4,329	4.7
Earned surplus (including undivided profits)	5,217	5,352	2.6
TOTAL LIABILITIES AND CAPITAL	$220,282	$274,772	24.7

CONSOLIDATED STATEMENT OF OPERATIONS

Regulatory Loan Licensees

(000's Omitted)

	1984	1985	Percent Increase (Decrease)
INCOME			
Charges collected and/or earned	$15,024	$15,924	6.0%
Collections on accounts previously charged off	1,827	1,662	(9.0)
Net income from credit insurance	0	0	---
Other income	1,357	178	(86.9)
Total income derived from Regulatory Loan Business	$18,208	$17,764	(2.4)
EXPENSE			
Advertising	$ 370	$ 321	(13.2)%
Amortization	0	0	---
Auditing	50	52	4.0
Bad debts:			
Charge offs	1,558	1,390	(10.8)
Additions to reserve for bad debts	389	403	3.6
Depreciation (furniture, fixtures and equipment)	96	238	147.9
Insurance and fidelity bonds	87	77	(11.5)
Interest on borrowed funds	6,730	7,416	10.2
Legal fees and disbursements	304	279	(8.2)
Postage and express	216	914	323.1
Printing, stationery and supplies	210	169	(19.5)
Rent, heat, light and janitor services	474	477	.6
Salaries	3,752	3,694	(1.6)
Home office, parent company or management allocated charges	2,425	3,311	36.5
Licenses and taxes other than on income	187	182	(2.7)
Telephone and telegraph	332	318	(4.2)
Travel, automobile expense and allowance	81	74	(8.6)
Other expenses	584	524	(10.3)
Less total expenses of conducting Regulatory Loan Business (excluding income taxes)	$17,845	$19,141	7.3
Income before income taxes	$ 363	($ 1,377)	(479.3)
Less income taxes	161	(668)	(514.9)
Net income derived from Regulatory Loan Business	$ 202	($ 709)	(451.0)
Total income derived outside Regulatory Loan Business	$22,899	$31,112	35.9
Less expense (including interest on borrowed funds and income taxes)	19,661	27,384	39.3
Net income outside Regulatory Loan Business	$ 3,238	$ 3,728	15.1
NET INCOME	$ 3,440	$ 3,019	(12.2)

COMPARATIVE STATISTICAL DATA

Regulatory Loan Licensees

1976 - 1985

Year	Total Regulatory Loan Licenses	National Companies (1 or more Offices)	Domestic Companies (1 or more Offices)	New Licenses	Licenses Cancelled	Assets*	Loans* Outstanding	Reserve for Bad Debts*	Average Number of Open Accounts	Average Annual Expense per Account
1976	415	N/A	N/A	12	N/A	$391,921	$326,028	$ 9,753	396,373	$115.87
1977	387	329	58	12	40	408,419	332,526	9,788	376,552	113.88
1978	375	321	54	43	55	435,085	341,166	9,557	379,277	112.98
1979	350	303	47	29	54	515,063	422,111	10,885	365,658	127.37
1980	271	229	42	23	102	420,187	342,213	8,370	329,028	129.81
1981	165	133	32	2	108	303,003	231,386	6,502	261,054	121.82
1982	104	76	28	8	69	195,952	138,111	4,909	161,560	140.09
1983	88	62	26	3	19	190,994	100,331	2,047	102,758	175.39
1984	72	49	23	32	48	220,282	83,605	1,242	70,371	160.26
1985	70	48	22	2	5	274,772	89,174	1,013	65,681	168.35

*(000's Omitted)

COMPARATIVE SUMMARY OF LOANS OUTSTANDING AND EARNINGS

Regulatory Loan Licensees

1971 - 1985

(000's Omitted)

Year	Number of Licenses	Loans Outstanding December 31	Average Invested Assets	Total Gross Earnings	Net Earnings Before Interest Paid	Gross Earnings to Average Invested Assets	Net Earnings* to Average Invested Assets	Net Earnings**	Net Earnings** to Average Invested Assets
1971	595	$332,115	$381,379	$69,991	$21,624	18.35%	5.67%		
1972	597	395,161	397,046	74,381	23,991	18.73	6.04		
1973	593	412,374	433,592	81,820	30,272	18.87	6.98		
1974	550	391,783	445,643	83,432	31,116	18.72	6.98		
1975	461	349,687	406,339	74,904	23,853	18.43	5.87		
1976	415	326,921	356,701	68,222	22,292	19.13	6.25		
1977	387	332,526	351,956	67,324	24,442	19.13	6.94	$2,113	0.60%
1978	375	341,166	358,333	69,277	26,427	19.33	7.38	1,523	0.42
1979	350	422,111	401,148	77,141	31,298	19.23	7.80	(1,322)	(0.33)
1980	271	342,213	402,574	74,500	31,790	18.51	7.90	(5,332)	(1.32)
1981	165	231,386	302,724	56,803	25,001	18.76	8.26	(8,311)	(2.75)
1982	104	138,111	177,188	32,466	9,834	18.32	5.55	(6,240)	(3.52)
1983	88	100,331	109,377	24,259	6,237	22.18	5.70	526	0.48
1984	72	83,605	99,313	18,208	6,931	18.33	6.98	202	0.20
1985	70	89,174	92,484	17,764	6,707	19.21	7.25	(709)	(0.77)

*Before interest paid
**After interest paid

AVERAGE INVESTED ASSETS -- BASE FOR DETERMINING PROFIT PERCENTAGES

Regulatory Loan Licensees

	1984	1985
Total assets	$84,167,960	$90,454,540
Total assets from home office	3,333,891	7,012,078
Other assets	0	0
Total	$87,501,851	$97,484,235
Average invested assets	$99,313,047	$92,484,235
Percent of gross earnings derived from Regulatory Loan Business to average invested assets	18.33%	19.21%
Percent of net earnings derived from Regulatory Loan Business, before deducting gross cost of borrowed funds, to average invested assets	6.98%	7.25%

ANALYSIS OF EXPENSE PER ACCOUNT

Regulatory Loan Licensees

	1984 Loans $3,000 or less	1985 Loans $3,000 or less
Total operating income	$18,208,188	$17,764,066
Less: Net income before deducting interest on borrowed funds	6,930,692	6,706,560
Total expenses of conducting Regulatory Loan Business	$11,277,496	$11,057,506
Average number of accounts	70,371	65,681
Average annual expense per account	$ 160.26	$ 168.35
Average monthly expense per account	$ 13.36	$ 14.03

EXAMINATIONS, VIOLATIONS AND COMPLAINTS

Regulatory Loan Licensees

	Examinations	Violations of Laws Detected During Examinations	Violations of Rules Detected During Examinations	Consumer Complaints
1981	190	465	400	70
1982	151	304	341	32
1983	92	160	212	13
1984	77	322	176	6
1985	67	301	101	6

SECONDARY MORTGAGE LICENSEES

	1984	1985
Number of licenses	75	76
Number of new licenses issued . . .	23	5
Number of licenses cancelled . . .	30	5
Number of examinations conducted . .	81	74
Number of complaints	6	4

SALE OF CHECKS LICENSEES

	1981	1982	1983	1984	1985
Number of licenses	18	16	15	15	17
Number of new licenses issued . .	4	0	4	1	3
Number of checks sold	22,372,120	16,618,857	22,841,126	26,132,027	25,378,231
Amount of checks sold	$1,201,467,520	$1,018,836,854	$1,285,368,252	$1,530,489,500	$1,369,121,359
Number of examinations	1	2	3	2	2

MOTOR VEHICLE LICENSEES

	1981	1982	1983	1984	1985
Number of sales finance licenses	1,929	1,891	1,937	1,939	1,868
Number of installment seller licenses	1,966	1,764	1,746	1,745	1,749
Number of new sales finance licenses issued	104	60	119	74	62
Number of new installment seller licenses issued	148	138	170	185	209
Number of complaints	47	24	7	15	23

REGULATORY LOAN LICENSEES as of December 31, 1985

Name of Licensee	City
American Fletcher Financial Services, Inc.	Adrian
Household Finance Corporation III	Adrian
Town Finance Company, Inc.	Albion
Household Finance Corporation III	Allen Park
American Fletcher Financial Services, Inc.	Battle Creek
FinanceAmerica Corporation	Battle Creek
Household Finance Corporation III	Battle Creek
Michigan Loan Company of Battle Creek	Battle Creek
Household Finance Corporation III	Bay City
Community Finance Company	Benton Harbor
Town Finance Company, Inc.	Big Rapids
BarclaysAmerican/Financial, Inc.	Bingham Farms
Household Finance Corporation III	Burton
Oliver Credit Corporation	Burton
Oliver Credit Corporation	Caro
Town Finance Company, Inc.	Charlotte
American Fletcher Financial Services, Inc.	Coldwater
Household Finance Corporation III	Dearborn
Modern Finance Corporation	Detroit
American Fletcher Financial Services, Inc.	Dowagiac
Household Finance Corporation III	East Detroit
Household Finance Corporation III	Farmington
Household Finance Corporation III	Ferndale
BarclaysAmerican/Financial, Inc.	Flint
Baxter Finance Corporation	Flint
Household Finance Corporation III	Flint
Smith Loans, Inc.	Flint
Walter C. Wylie & Co.	Flint
Kearney Credit Incorporated	Fraser
American Fletcher Financial Services, Inc.	Grand Rapids
FinanceAmerica Corporation	Grand Rapids
Household Finance Corporation III	Grand Rapids
Walter C. Wylie & Co.	Hancock
American Fletcher Financial Services, Inc.	Hillsdale
American Fletcher Financial Services, Inc.	Holland
Town Finance Company, Inc.	Holland
Oliver Credit Corporation	Howell
Walter C. Wylie & Co.	Ishpeming
Household Finance Corporation III	Jackson
FinanceAmerica Corporation	Kalamazoo
FinanceAmerica Corporation	Lansing
Household Finance Corporation III	Lansing
Oliver Credit Corporation	Lansing
Oliver Credit Corporation	Lapeer
Ude Loans, Inc.	Lapeer
FinanceAmerica Corporation	Livonia
Household Finance Corporation III	Livonia
Walter C. Wylie & Co.	Marquette
Household Finance Corporation III	Monroe
Household Finance Corporation III	Mt. Clemens
Household Finance Corporation III	Muskegon
Muskegon Loan Co.	Muskegon
American Fletcher Financial Services, Inc.	Paw Paw
C.I.T. Financial Services, Inc. of Michigan	Pontiac
Household Finance Corporation III	Pontiac
Household Finance Corporation III	Portage
Household Finance Corporation III	Port Huron
Capital Acceptance Corporation	Redford
Riverview Financial Services, Inc.	Riverview
Household Finance Corporation III	Roseville
Household Finance Corporation III	Royal Oak
Household Finance Corporation III	Saginaw
Walter C. Wylie & Co.	Sault Ste. Marie
Household Finance Corporation III	Sterling Heights
Trenton Loan Company	Trenton
Household Finance Corporation III	Westland
Household Finance Corporation III	Wyandotte
Household Finance Corporation III	Wyoming
Household Finance Corporation III	Ypsilanti
Quality Credit Co. of Zeeland, Michigan, Inc.	Zeeland

SECONDARY MORTGAGE LICENSEES as of December 31, 1985

Name of Licensee	**City**
American Fletcher Financial Services, Inc.	Adrian
Household Realty Corporation	Adrian
Household Realty Corporation	Allen Park
Triad Mortgage Corporation	Ann Arbor
American Fletcher Financial Services, Inc.	Battle Creek
FinanceAmerica Corporation	Battle Creek
Household Realty Corporation	Battle Creek
Household Realty Corporation	Bay City
Andrews University	Berrien Springs
BarclaysAmerican/Financial, Inc.	Bingham Farms
Oak Hills Mortgage Corporation	Bloomfield Hills
Household Realty Corporation	Burton
Oliver Credit Corporation	Burton
Oliver Credit Corporation	Caro
American Fletcher Financial Services, Inc.	Coldwater
Household Realty Corporation	Dearborn
Vernick Finance Company dba Vernick Financial Services, Inc.	Dearborn Heights
American Fletcher Financial Services, Inc.	Dowagiac
Household Realty Corporation	East Detroit
Associates Financial Services Company, Inc.	Elkhart, IN
Household Finance Corporation III	Elkhart, IN
Merrill Lynch Equity Management, Inc.	Fairfield, CT
Household Realty Corporation	Farmington
John Adams Mortgage Company	Farmington Hills
Union Mortgage Company, Inc.	Farmington Hills
Household Realty Corporation	Ferndale
BarclaysAmerican/Financial, Inc.	Flint
Household Realty Corporation	Flint
Kearney Credit Incorporated	Fraser
American Fletcher Financial Services, Inc.	Grand Rapids
Citizens Plan, Inc.	Grand Rapids
FinanceAmerica Corporation	Grand Rapids
Fleet Mortgage Corp.	Grand Rapids
Household Realty Corporation	Grand Rapids
Household Finance Corporation III	Green Bay, WI
American Fletcher Financial Services, Inc.	Hillsdale
American Fletcher Financial Services, Inc.	Holland
Town Finance Company, Inc.	Holland
Oliver Credit Corporation	Howell
Household Realty Corporation	Jackson
FinanceAmerica Corporation	Kalamazoo
FinanceAmerica Corporation	Lansing
Household Realty Corporation	Lansing
Oliver Credit Corporation	Lansing
Oliver Credit Corporation	Lapeer
FinanceAmerica Corporation	Livonia
Household Realty Corporation	Livonia
Household Finance Corporation III	Michigan City, IN
Household Finance Corporation III	Mishawaka, IN
Household Realty Corporation	Monroe
Household Realty Corporation	Mt. Clemens
Household Realty Corporation	Muskegon
American Fletcher Financial Services, Inc.	Paw Paw
Kasco Mortgage Corporation	Pleasant Ridge
C.I.T. Financial Services, Inc. of Michigan	Pontiac
Household Realty Corporation	Pontiac
Household Realty Corporation	Portage
Household Realty Corporation	Port Huron
Household Realty Corporation	Roseville
Household Realty Corporation	Royal Oak
Household Realty Corporation	Saginaw
FinanceAmerica Corporation	South Bend, IN
Household Finance Corporation III	South Bend, IN
Allstate Enterprises, Inc.	Southfield
Citicorp Financial Center, Inc.	Southfield
Fleet Mortgage Corp.	Southfield
The Lomas and Nettleton Company	Southfield
Merrill Lynch Mortgage Corporation	Stamford, CT
Household Realty Corporation	Sterling Heights
Associates Financial Services Company, Inc.	Toledo, OH
Household Realty Corporation	Toledo, OH
Household Realty Corporation	Toledo, OH
Household Realty Corporation	Westland
Household Realty Corporation	Wyandotte
Household Realty Corporation	Wyoming
Household Realty Corporation	Ypsilanti

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OFFICE OF ADMINISTRATION

Philip F. Rooney
Director

It is the function of the Office of Administration to direct, implement and monitor all of the Bureau's financial and personnel activities. Major administrative support units responsible to the director are the Automated Systems Division and the Reporting and Publications Division.

REPORTING AND PUBLICATIONS DIVISION

Edward H. Wichman
Director

Judie C. Wright
Analyst

Lisa M. Holmes
Acting Publications Coordinator

The Reporting and Publications Division is responsible for developing Bureau reports and publications, assessing bank examination fees, administering the micrographics, forms control, and records retention/disposal programs, and providing assistance to the Director of the Office of Administration concerning internal operations and special projects. The division also handles inquiries and requests for statistical and financial information relating to state-regulated financial institutions.

Publications

The Annual Report of the Financial Institutions Bureau is published each calendar year by the division. Statistical and financial information summarizing the activities of the Bureau and the financial condition and operations of state-regulated financial institutions is provided in the report. Major developments and trends in financial regulation are also summarized. The division obtains much of the bank financial data appearing in the annual report from the Federal Deposit Insurance Corporation through an "on-line" computer terminal.

Another publication issued by the division is a printing of the Michigan Banking Code of 1969. This loose-leaf edition of the code contains laws relating to state-chartered banks and includes sections on commissioner's rules and bank bulletins. Subscribers to this publication receive amendments to the code, commissioner's rules and bank bulletins as they become effective.

The division also is responsible for editorial contributions to the Michigan Department of Commerce (MDC) Annual Report which is directed to Michigan businesses, professionals, trade groups and the general public.

Forms Control

During 1985, the Bureau continued its efforts to maintain only those public forms which most efficiently and effectively meet the criteria established by the Paperwork Reduction Act (P.A. 133 of 1982.) Significant improvements have been made in forms redesigned by the division's forms management staff. Such improvements include streamlining the language and format of various applications, simplifying instructions, combining and/or eliminating forms and reducing internal processing time and costs. Of the 237 public forms in use by the Bureau as of December 31, 1983, 158 have been eliminated leaving only 79 completely redesigned forms.

Micrographics Program

The Micrographics Unit was established by the division as a result of the growing volume of records which must be maintained by the Bureau to carry out its regulatory responsibilities. The conversion of Bureau records to microfilm has resulted in a more manageable and efficient storage and retrieval system. In addition, the microfilmed records have provided a more secure means of retaining confidential material. Duplicate copies of all microfilmed records produced by the unit are stored off-site, for optimum security, where they serve as a back-up to the Bureau's working file.

Bureau Service Functions

The division also provides a variety of service functions within the Bureau. These include:

- o Travel expense/state car assignments
- o Mail services
- o Revenue transactions
- o Bureau security systems
- o Equipment and supplies
- o Telecommunications

AUTOMATED SYSTEMS DIVISION

Paul A. Tautkus
Director

David A. Cottrill
ADP Examiner

Terry L. Hassell
ADP Examiner

Patricia K. Marson
ADP Examiner

The responsibility of the Automated Systems Division is to evaluate the security and controls within data processing operations serving financial institutions, whether these operations are internal to the institutions or holding company or are provided by an independent corporation.

COMPUTER CENTER EVALUATIONS

The data center evaluation program was resumed by the Bureau in 1981. During calendar year 1985, 22 computer center evaluations were conducted.

The purpose of an evaluation is to apprise a financial institution's management of areas in the data processing operation where exposure exists which could lead to incorrect, interrupted or discontinued processing. This evaluation does not ascertain the validity of system design, programming or information on file. The Federal Financial Institutions Examination Council's EDP Examination Handbook is used as a guide for the evaluation. Areas reviewed during the evaluation include:

- Planning and organization
- Audit (internal and external)
- Programming procedures and controls
- Computer operations, including input and output controls
- Teller activity and controls
- Wire transfer, Automated teller and Credit Cards
- Microcomputer usage

The division will continue to devote most of its resources to the evaluation program in 1986, with additional emphasis on follow-up visitations to ensure corrective action is being taken.

Scheduling of evaluations will continue to be coordinated with the Federal Deposit Insurance Corporation, Federal Reserve System, National Credit Union Administration and the Bureau's other divisions. The Automated Systems division alternates its evaluations of data centers, or performs evaluations jointly, with the federal regulatory agencies. This eliminates duplicate evaluations by the Bureau and federal agencies.

OFFICE PERSONNEL

As of April 1, 1986

EUGENE W. KUTHY	COMMISSIONER
Peggy Bryson	Assistant to the Commissioner
Kathy Bennett	Executive Secretary

RUSSELL S. KROPSCHOT	Chief Deputy Commissioner
Judy Baker	Executive Secretary
Diana Burns	Secretary
Cecilia Dungey	Secretary
Paulette Smith	Secretary

OFFICE OF REGULATION

GARY K. MIELOCK	Deputy Commissioner
Judy Baker	Executive Secretary

Bank and Trust Division

Donald Mann	Director
Joseph Petterson	Assistant Director
Stephen Trembath	Senior Review Examiner
Marian Benjamin	Secretary
Carol Reist	Secretary
Janice Jennings	Secretary

Credit Union Division

Michael Fitzgerald	Director
Tim Standfest	Assistant Director
Nada Van De Moortel	Review Examiner
Debra Smith	Secretary
Esther Torres	Secretary
Theresa Wing	Secretary

Corporate Division

Darwyn Sanborn	Director
Steven Cutshaw	BHC - Analyst
Sandra Slee	Foreign Bank Analyst
Linda Whitford	Research Analyst
Patricia Welling	Secretary

Savings and Loan Division

Darwyn Sanborn	Director
Linda Baldwin	Secretary

OFFICE OF POLICY & CONSUMER AFFAIRS

Murray E. Brown	Deputy Commissioner
Virginia Berry	Secretary

Research and Urban Investment Division

Vacant	Director
Russell LaCoursier	Economic Analyst
Peter Kuhnmuench	Policy Analyst
Marcia Miller	Policy Analyst
Richard Redmond	Compliance Examiner
Marian Kummerl	Program Analyst
June Clark	Secretary

Consumer Finance Division

John Drury	Director
Debra Tunks	Secretary
Ethel Caudill	Secretary

OFFICE OF ADMINISTRATION

PHILIP F. ROONEY	Director
Kathleen Simon	Assistant to Director
Judy Baker	Executive Secretary

Reporting and Publications Division

Edward Wichman	Director
Lisa Holmes	* Publications Coordinator
Judie Wright	Analyst
Joseph Barberio	Facilities Manager
Bertha Laskaris	Secretary
Mary Kosiara	Revenue Clerk
Rayola Lane	Mail Clerk
Patricia Thelen	Microfilm Machine Operator

* Acting

Automated Systems Division

Paul Tautkus	Director
Cecilia Dungey	Secretary

APPENDIX

INTERPRETIVE STATEMENT #1

TO THE CHIEF EXECUTIVE OFFICER OF
THE FINANCIAL INSTITUTION ADDRESSED:

On December 31, 1984, Governor Blanchard signed Enrolled House Bill 4450, amending the Savings and Loan Act of 1980, to allow an association on an installment loan for the purchase of a motor vehicle to charge a rate of interest on the unpaid balance of up to 16.5% per year. Simultaneous with the signing of Enrolled House Bill 4450, the authority in the Credit Union Act to charge a rate of interest on the unpaid balance of up to 16.5% per year expired.

The requirement that depository financial institutions now rely on the Savings and Loan Act of 1980 to charge a rate of interest of up to 16.5% has spawned several questions about the other restrictions applicable to a loan for the purchase of a motor vehicle which are found in the act. The Bureau has drafted a list of questions and suggested answers. Further interpretation or clarification by the Attorney General, the Legislature or the Courts may lead to changes in the suggested answers.

The Bureau must caution financial institutions that the suggested answers are not meant to be legal opinions but are only supplied to assist financial institutions and their legal counsels in complying with the various interest rate ceilings. We strongly urge all financial institutions to consult their legal counsel prior to taking actions based on the suggested answers supplied.

If, after reviewing the questions and answers, you have any questions, please contact this office at (517) 373-8674.

Sincerely,

Eugene W. Kuthy
Commissioner

Encl.

Dated 02/14/85

QUESTIONS AND ANSWERS ON MOST FAVORED LENDER

On December 31, 1984, the Governor signed Enrolled House Bill 4450, amending section 718 of the Savings and Loan Act of 1980, to permit an association on an installment loan for the purchase of a motor vehicle to charge simple interest in an amount not to exceed a rate of 16.5% per year. The signing of HB 4450 was significant since the authority in the Credit Union Act to charge a rate of up to 16.5% per year on a loan for the purchase of a motor vehicle expired on December 31, 1984. This means that an insured depository financial institution can continue to make a loan for the purchase of a motor vehicle at up to 16.5% per year on the unpaid balance either directly, in the case of a savings and loan association, or indirectly via the most favored lender authority, in the case of a state or national bank or a credit union.

The following are questions and answers concerning the most favored lender authority as it applies to a loan for the purchase of a motor vehicle made under the Savings and Loan Act of 1980 (hereinafter S&L motor vehicle loan).

1. Can an insured depository financial institution which makes an S&L motor vehicle loan (directly or via the most favored lender authority) compute interest on an add-on basis?

No. A state or federal savings and loan association or any other insured depository institution which makes an S&L motor vehicle loan must compute interest on the unpaid balance, pursuant to section 718 of the Savings and Loan Act of 1980.

2. Does the Savings and Loan Act of 1980 require that an S&L motor vehicle loan be an installment loan?

The S&L Act provides that a loan for the purchase of a motor vehicle must be an installment loan. Section 718(2) of the S&L Act does not require that the installments be uniform.

3. Is a lender which makes an S&L motor vehicle loan authorized to assess a loan processing fee?

Section 730(1) of the S&L Act states that "An association or federal association may also assess fees to cover no more than the actual costs paid to third parties in the making, disbursing, refinancing of a loan authorized by section 704." (including a loan for the purchase of a motor vehicle) Section 718(2) of the S&L Act, added by Enrolled HB 4450, authorizes an association, notwithstanding any other provision of the act, to "require a borrower to pay reasonable and necessary charges which are the actual expenses incurred.....in connection with making, closing, disbursing, extending, readjusting or renewing the loan." It has been argued by some legal counsel that the language of section 718(2) limits a savings and loan association to charge fees to cover no more than the actual cost paid to third parties ("out-of-pocket" expenses) and that, therefore, the charging of a loan processing fee is not permitted. The Bureau believes that it is unlikely that the Legislature in section 718(2) was attempting to prohibit the charging of a loan processing fee given the restrictive language contained in section 730(1), which already prohibits the charging of a loan processing fee. Also, the argument that section 718(2) does not permit a loan processing fee fails to take into account the new language of section 718(2) which, in pertinent part, states that "Notwithstanding any other provision of this act, on a loan (for the purchase of a motor vehicle), an association.....may require a borrower to pay reasonable and necessary charges which are the actual expenses incurred by the association.....". (emphasis and parenthetical part added) The Bureau believes that the language was intended to create an exception to the prohibition contained in section 730(1).

It should be added that the language of section 718(2) does not actually identify the charges which fall within the meaning of "reasonable and necessary charges. The only statute which identifies charges that are "reasonable and necessary" is the Usury Act which, in section 1a, states, "Reasonable and necessary charges shall consist of recording fees; title examination or title insurance; the preparation of a deed, appraisal, or credit report; plus a loan processing fee." (emphasis added)

It should be noted that section 730(1) of the S&L Act contains language relating to real estate loans similar to language in 718(2) except that it "authorizes reasonable and necessary charges which are actual expenses" plus a loan processing fee. However, section 730(1) defines "actual expenses" to include a laundry list of items, which could be done in house such as the "...preparation of papers," which collectively are very similar to expenses for which a loan processing fee would be assessed. The Bureau thus believes that "actual expenses" includes more than "actual costs paid to third parties" and thus in substance could include a loan processing fee.

The Bureau believes that there was no legislative intent to eliminate the authority to charge a loan processing fee when HB 4450 was enacted. The intent was to preserve the authority to charge a rate of up to 16.5% as well as permit a reasonable loan processing fee. Prior to the passage of HB 4450, the Attorney General, in OAG #5917, had opined that a lender, using the Usury Act, could impose a loan processing fee on any loan in the absence of any specific statute to the contrary. The Credit Union Act which most lenders have used over the past few years does not prohibit the charging of a loan processing fee. Thus some lenders have been charging such a fee in connection with auto loans, a practice about which the Legislature surely must have known.

Had the Legislature intended to prohibit the imposition of such a fee in connection with the making of an S&L motor vehicle loan, it would have stated with express language to that effect in HB 4450. While the Bureau believes that a lender can charge a loan processing fee in connection with the making of an S&L motor vehicle loan, such fee must be reasonable.

4. Can a lender making an S&L motor vehicle loan use a variable interest rate?

Yes. There is no prohibition in the S&L Act on the use of a variable interest rate. Absent such a ban, the Bureau believes that a lender, using the S&L Act, can make a variable rate motor vehicle loan.

5. Are there any restrictions on the size of an S&L motor vehicle loan?

The Bureau believes that this question is academic. Since nearly all loans for the purchase of a motor vehicle are secured, the only limit on the loan size for a secured loan found in the S&L Act is that the loan not exceed 50% of the institution's net worth.

6. Does the requirement that the motor vehicle loan be an installment loan prohibit a depository institution from making an advance under an open-end credit agreement for the purchase of a motor vehicle?

No. The S&L Act does not prohibit the use of an open end installment loan for the purchase of a motor vehicle. The Bureau believes that a depository financial institution could make an advance under an open end credit agreement for the purchase of a motor vehicle. However, on the portion of the balance resulting from the purchase of the motor vehicle, the institution could charge a rate on the unpaid balance not in excess of 16.5% per annum. This conclusion is based on the very clear legislative intent to limit the rate of interest on any loan for the purchase of a motor vehicle to no more than 16.5% per annum. On any other advance, the institution could charge an annual rate of interest not in excess of 18%. Thus, the institution would be required to segregate the advance secured by the motor vehicle on which up to 16.5% was charged, from other advances on which a rate above 16.5% (but not in excess of 18%) was charged.

INTERPRETIVE STATEMENT #2

To: Chief Executive Officer of
the Institution Addressed:

Subject: MAXIMUM FINANCE CHARGE ON HOME IMPROVEMENT INSTALLMENT CONTRACTS

It has come to our attention that some financial institutions may have purchased home improvement installment contracts (other than Title I FHA) from contractors which contracts bear rates of interest in excess of the applicable rate ceiling set forth in the Home Improvement Finance Act (HIFA). The financial institutions involved apparently were unaware of the two-tiered rate ceiling set forth in section 301(1) of HIFA or, if aware of the rate ceiling, they failed to carefully monitor the weekly auction rates on 26-week U.S. Treasury bills. As lenders and contractors should know, section 301(1), in pertinent part, reads as follows:

> Sec. 301. (1) The maximum finance charge included in a home improvement installment contract payable in substantially equal successive monthly installments beginning 1 month from the date the finance charge accrues, shall not exceed $8.00 per $100.00 per annum. However, on a contract which is entered into before December 31, 1987, and which is entered into after the interest rate paid at 2 successive auctions of 26 week United States treasury bills is 8% or more, the finance charge may be equivalent to 16.5% interest or less per annum on the unpaid balance. If the interest rate paid at 2 successive auctions of 26 weeks United States treasury bills again falls below 8%, the finance charge on a contract entered into after that date shall not exceed $8.00 per $100.00 per annum, unless the interest rate paid at 2 successive auctions of 26 week United States treasury bills again is 8% or more, in which case the finance charge may be equivalent to 16.5% interest or less per annum on the unpaid balance.

What the applicable lenders and contractors may have overlooked was that the rate paid on 26-week U.S. Treasury bills was below 8% at the successive auctions held on Monday, May 6, 1985 and on Monday, May 13, 1985. The rates paid at all of the weekly auctions of 26-week U.S. Treasury bills held since May 13 also were below 8%. This means that on contracts entered into on or after Tuesday, May 14, 1985, the rate ceiling has been an add-on rate of $8.00 per $100.00 per year of the amount financed. The simple interest equivalent rate ceiling is 14.55% for three-year contracts; 14.13% for five-year contracts; 13.69% for seven-year contracts; and 13.12% for ten-year contracts.

For your reference, the weekly auction rates during the period beginning on April 15, 1985, and ending with the most recent auction, were as follows:

Auction Date	Auction Rate (%)
April 15	8.27
April 22	7.87
April 29	8.11
May 6	7.93
May 13	7.90
May 20	7.43

May 28	7.39
June 3	7.16
June 10	7.35
June 17	6.90
June 24	7.24
July 1	7.08
July 8	7.00
July 15	7.20
July 22	7.35
July 29	7.40
August 5	7.52

This lower rate ceiling will continue to apply until the rate paid at two successive auctions of 26-week U.S. Treasury bills is 8% or more, after which (the day after the date of the second such auction) the rate ceiling again will be the equivalent of 16.5% interest per annum on the unpaid balance.

Please check your loan records to insure that your institution is in compliance with this provision.

Sincerely,

Eugene W. Kuthy
Commissioner

Dated: 08/16/85

INTERPRETIVE STATEMENT #3

SUBJECT: PUBLIC ACT 351 OF 1984 AS AMENDED BY PUBLIC ACT 136 OF 1985
PURPOSE: REGULATION OF DUE-ON-SALE CLAUSES FOR WINDOW PERIOD LOANS
EFFECTIVE DATE: OCTOBER 15, 1985

In recent years, much concern has been given to the issue of due-on-sale clauses. In the past, these clauses were rarely enforced due to relatively stable interest rates. However, recent volatile interest rates have encouraged lenders to begin to enforce these clauses in order to maintain profitability. In 1976, the Federal Home Loan Bank Board (FHLBB) issued a regulation that permitted federally chartered savings and loan associations to enforce due-on-sale clauses on mortgage loans they made. However, in Michigan, on January 5, 1977, the Michigan Court of Appeals in Nicholas v. Ann Arbor Federal Savings and Loan Association (1977) ruled that the automatic enforcement of due-on-sale clauses constitutes an unreasonable restraint on alienation. The Court ruled that the clause could not be enforced unless the lender demonstrates that the proposed sale or transfer threatens its security interest, either due to an increase in the risk of default on the note or diminished value of the real property. Federally chartered savings and loan associations, by virtue of the FHLBB regulation and a subsequent U.S. Supreme Court decision, Fidelity Federal Savings and Loan Association v. de-la-Cuesta (June 28, 1982), were authorized to enforce due-on-sale clauses while other mortgage lenders could not.

The Garn-St. Germain Depository Institutions Act (GSDIA) was passed in 1982, preempting several state statutes/court rulings including Michigan's, which severely restricted or prohibited the enforcement of the clause. However, this act provides that the due-on-sale clause for loans closed or assumed during a window period (for Michigan, January 5, 1977 to October 15, 1982) could not be routinely enforced as a result of sales or transfers which occurred before October 15, 1985. Along with this, the GSDIA gave state legislatures the right to extend the ban or otherwise regulate the enforcement of due-on-sale clauses on window period loans.

PURPOSE OF P.A. 351 AS AMENDED

Public Act 351 as amended, which takes effect on October 15, 1985, establishes certain procedures and restrictions on the enforcement of due-on-sale clauses on window period loans originally made by state-regulated lenders (state-chartered banks, state-chartered savings and loans, state-chartered credit unions, and mortgage companies). P.A. 351 as amended does what the GSDIA enabled state legislatures to do, i.e. "otherwise regulate" due-on-sale enforcement for window period loans after October 15, 1985. It sets forth procedures on how a prospective transferee of a window period loan may apply for assumption of the mortgage and provides the method by which the lender can amend the loan contract as a condition of the assumption. Even if the lender is now federally chartered, if the loan originated from a state-regulated lender, the restrictions and procedures of P.A. 351 as amended would still apply.

P.A. 351 as amended permits the lender to enforce a due-on-sale clause on a window period loan without restriction if a) the sale or transfer threatens a "legitimate interest" of the lender, which includes preventing the impairment or loss of the lender's security; b) the lender, in accordance with its customary procedures for evaluating credit worthiness, determines that the proposed buyer, or transferee does not meet the lender's customary credit standards; c) or the borrower, or the buyer or transferee fails to pay at the time of submission of credit information or application a reasonable fee to cover the lender's cost of determining whether the proposed buyer or transferee meets its customary credit standards. If the lender determines that the proposed buyer or transferee meets its customary credit standards, the lender may charge the proposed buyer or transferee a loan processing fee in connection with the amendment to the loan contract. The total fees permitted may not exceed 1/2 of 1% of the outstanding balance of the window period loan plus the actual cost of an endorsement to the lender's title insurance policy plus the actual cost of transfer of any private mortgage insurance.

REQUIRED PROCEDURES OF ACT 351 AS AMENDED

Before the sale or transfer of property securing a residential window period loan containing a due-on-sale clause can occur, certain procedures must be followed:

1. The borrower (current owner of the property) or the proposed buyer or transferee must provide written notice to the lender of the proposed sale or transfer. This notice must include the name and address of the proposed buyer or transferee and a copy of the agreement of sale or similar document.

2. Within five business days of receipt of notice, the lender may require by written notice mailed or delivered to the proposed buyer or transferee that the proposed buyer or transferee provide credit information that the lender customarily requires in connection with a credit application or the lender's customary credit application for a similar loan secured by a similar property.

3. Within 15 business days of the request, the buyer or transferee must provide credit information to the lender or complete the application as requested by the lender.

4. Within 20 business days after the receipt of the credit information, the lender must determine whether the proposed buyer or transferee meets its customary credit standards for a similar loan on a similar property and notify the buyer or transferee. In the event of a disapproval, the lender must cite reasons for this action.

It should be noted that if the borrower wants to be released from the underlying mortgage, it would appear that the restrictions of P.A. 351 as amended do not apply. In such a case, the lender would be able to substitute for the original mortgage a new mortgage, bearing an interest rate and other terms in line with current market conditions. Also, it is the Bureau's position that if a lender desires to permit assumptions at the existing rates on its window period loans, it is not subject to the restrictive provisions of the act.

It should be noted that the lender may enforce the due-on-sale clause in a window period loan if the borrower and the proposed buyer or transferee fail to follow in a timely manner certain procedures.

If the lender is not then in the business of making real property loans, then the determination of credit worthiness must be based upon whether the proposed buyer or transferee meets the credit standards customarily applied by major institutional residential lenders within the geographic market for similar loans secured by similar properties.

(Note: Several of the procedures described make reference to business days. It is important for all parties involved to be aware of the definition of a business day. Generally, a business day is any day, excluding Saturdays, Sundays, and holidays).

If the lender fails to follow in a timely manner the above procedures, it may not enforce the due-on-sale clause on an unrestricted basis nor may it amend the contract in the manner described below.

LOAN AMENDMENTS

If the proper procedures have been followed by the borrower, proposed buyer, seller, and lender, the act requires the lender to consent in writing to the proposed sale or transfer if the borrower agrees to amendments to the loan contract provisions permitted by the act. The amendments permitted include:

1. The use of a blended interest rate on the assumed loan. This rate may not exceed the arithmetic mean of the contract rate on the existing mortgage and the FHLBB mortgage index rate (which the act defines as the national average contract interest rate on conventional 25 plus year fixed rate mortgages charged by all major lenders on mortgage loans for previously occupied homes, most recently published by the FHLBB in its journal or news releases).

2. This blended rate would be fixed for the "blended rate period" which is the period ending either on a date selected by the lender at least three years after the date the window period loan is amended or on the date the loan was originally scheduled to become due, whichever date is earlier.

   Once the borrower agrees to the amendment to the contract, the monthly principal and interest payments on the loan will be based on the remaining term of the original amortization period for the loan. The amortization period for the loan extension will be the remaining term of the original amortization period for the loan.

P.A. 351 as amended prescribes procedures to ensure that a lender deal with the buyer or transferee as it would any similar customer. If the borrower accepts an offer to amend a loan, the amended contract must provide that, after the blended rate period, the rate of interest may not exceed the following: a) if the lender is making fixed rate mortgage loans on similar types of property at the end of the blended rate period, the rate of interest at which the lender is making those loans; b) if the lender is not making fixed rate mortgage loans on similar types of property at the end of the blended rate period, the FHLBB mortgage index rate in effect on the last day of the blended rate period.

There is a question about whether a lender must offer to use a blended rate on a mortgage contract if the market interest rate is less than the rate on the original mortgage loan. It is likely that such instances would be rare since the purchaser could get a lower interest rate by qualifying for a new mortgage. Of course, a blended rate above the current market rate might occur in the case of a purchaser who expected to live in the home for a short period. Such a purchaser likely would pay substantially lower up-front fees (due to the limit imposed by P.A. 351 as amended) than he or she would pay in closing costs on a new mortgage. The savings in fees could exceed the higher interest payments associated with such a blended rate. Presumably, however, in a case in which the market interest rate is less than the rate on the original mortgage loan, the lender would choose to permit the assumption and therefore would not be subject to the restrictive provisions of the act.

PURCHASE AGREEMENT REQUIREMENTS

Upon sale or transfer of residential property securing a window period loan, the contract of sale or transfer must contain the following:

> "Seller understands that consummation of the sale or transfer of the property described in this agreement shall not relieve the seller of any liability that seller may have under the mortgage(s) to which the property is subject, unless otherwise agreed to by the lender or required by law or regulation."

This means that if the buyer or transferee fails to make the mortgage payments, the original owner of the mortgage will likely be held liable for these payments.

PENALTIES:

In an attempt to ensure that lenders abide by the procedures stated in P.A. 351 as amended, a civil fine not to exceed $5000 can be imposed on the lender if it knowingly enforces or attempts to enforce a due-on-sale clause in violation of the act. If any person licensed to do business in the state knowingly advises a person selling or transferring property securing a residential window period loan not to notify the lender as provided in P.A. 351, the person is liable for a fine of up to $5000 for each offense and is subject to the revocation of his or her license.

TESTIMONY OF COMMISSIONER EUGENE W. KUTHY
BEFORE HOUSE MORTGAGE AND APPRAISAL, REDLINING AND REAL ESTATE PRACTICES SUB-COMMITTEE OF THE URBAN AFFAIRS COMMITTEE
MARCH 13, 1985

I APPRECIATE THE OPPORTUNITY TO DISCUSS MY BUREAU'S MORTGAGE ANTI-REDLINING ANNUAL REPORT AND ANSWER ANY QUESTIONS THE MEMBERS OF THIS SUB-COMMITTEE MAY HAVE ON THIS ISSUE. IN THE PAST, THE BUREAU HAS BEEN CRITICIZED FOR PUBLISHING REPORTS WHICH CRITICS CLAIMED DREW TOO FEW CONCLUSIONS OR INFERENCES FROM THE DATA PRESENTED. IN SOME RESPECTS THE REPORTS WERE HANDLED AS IF THEY WERE ACADEMIC TREATISE WHICH COULD NOT DRAW OR CITE POSSIBLE CONCLUSIONS UNLESS RIGID STATISTICAL ANALYSIS REVEALED WITHOUT DOUBT THAT DISINVESTMENT BY LENDERS WAS OCCURRING. ALTHOUGH MORE INDEPTH EXAMINATION OF MORTGAGE LENDING PATTERNS WOULD BE DESIRABLE, THE BROAD GEOGRAPHIC SCOPE OF OUR REPORT AND THE LIMITED RESOURCES AVAILABLE DO NOT MAKE SUCH AN INDEPTH STUDY POSSIBLE. IT IS MY OPINION, HOWEVER, THAT THE MORTGAGE LOAN DATA THE BUREAU ANALYZES PROVIDES SUFFICIENT INFORMATION TO CITE POSSIBLE CONCLUSIONS AND DRAW INFERENCES ABOUT DISINVESTMENT TRENDS AND THE CAUSE AS WELL AS THE EFFECT OF SUCH TRENDS.

WE TOOK THIS APPROACH IN PRODUCING THE MOST RECENT ANNUAL REPORT COVERING 1983 DATA AS WELL AS THE REPORT WHICH COVERED 1982 DATA. FROM THE DATA REVIEWED, IT APPEARS THAT FINANCIAL INSTITUTIONS MAY BE APPLYING DIFFERENT MORTGAGE LENDING STANDARDS IN HIGH MINORITY AND LOW INCOME AREAS THAN IN LOW MINORITY AND HIGH INCOME AREAS. WE REVIEWED FORECLOSURE AND DENIAL RATES OVER A FOUR YEAR PERIOD WHICH SHOWED THAT IN MOST SMSA'S FORECLOSURE RATES WERE LOWER IN HIGH MINORITY AND LOW INCOME AREAS THAN IN LOW MINORITY AND MODERATE TO HIGH INCOME AREAS. THE DENIAL RATES WERE SIGNIFICANTLY HIGHER IN HIGH MINORITY AND LOW INCOME AREAS THAN IN LOW MINORITY AND MODERATE TO HIGH INCOME AREAS. THIS APPEARED TO US TO BE A STRONG INDICATION THAT LENDERS WERE BEING MORE CONSERVATIVE IN THEIR LENDING DECISIONS IN HIGH MINORITY AND LOW INCOME AREAS THAN IN OTHER AREAS.

ALTHOUGH I FEEL THERE IS CLEARLY A NEED FOR MORE INDEPTH EXAMINATION OF THE LENDING PATTERNS UNCOVERED BY THIS REPORT, WE MUST EXERCISE CAUTION IN THIS REGARD. AS STATED IN THE BUREAU'S ANTI-REDLINING ANNUAL REPORT WHICH COVERED 1979 AND 1980 DATA, TO PROVE OR DISPROVE THE EXISTENCE OF REDLINING, ONE MUST ACCURATELY ESTIMATE THE DEMAND FOR MORTGAGE CREDIT. OTHER STUDIES HAVE SHOWN THAT ESTIMATING THE DEMAND FOR MORTGAGE CREDIT IS A VERY COMPLEX PHENOMENON. GREATER THAN 1,000 VARIABLES WOULD NEED TO BE CONSIDERED TO CONDUCT A COMPREHENSIVE ANALYSIS OF THE ISSUE OF REDLINING. THE ANNUAL REPORT, WHICH COVERS ALL METROPOLITAN AREAS IN THE STATE, DOES NOT LEND ITSELF TO THE TYPE OF INDEPTH ANALYSIS NECESSARY TO PROVE OR DISPROVE THE EXISTENCE OF REDLINING. COMPLAINTS FILED ARE A BETTER MEDIUM TO DETECT THE EXISTENCE OF REDLINING PRACTICES. THE ANNUAL REPORT, HOWEVER, IS VERY USEFUL AT DETECTING PATTERNS OF DISINVESTMENT IN URBAN AREAS AND PROVIDES AN EXCELLENT VEHICLE FOR THE RANKING OF LENDERS BASED ON THEIR INVESTMENT EFFORTS IN HIGH MINORITY AND LOW INCOME AREAS.

VOLUNTARY MORTGAGE REVIEW BOARDS (VMRB'S) WERE ESTABLISHED BY STATUTE TO GIVE REJECTED LOAN APPLICANTS A CHANCE TO HAVE A COMMITTEE OF LENDERS, CONSUMERS AND OTHERS REVIEW THEIR APPLICATION AND POSSIBLY FIND LENDERS WILLING TO MAKE THE LOANS. I BELIEVE THAT VMRB'S HAVE NOT REALIZED THEIR FULL POTENTIAL IN

ASSISTING LOAN APPLICANTS. WE HAVE RECENTLY COMPLETED A SURVEY OF THE STANDARDS AND PRACTICES OF VMRB'S AND THEIR PERFORMANCE TO DATE. FROM THE SURVEY, WE WILL BE DEVELOPING SOME UNIFORM GUIDELINES AND STANDARDS WHICH WE WILL ENCOURAGE VMRB'S TO ADOPT. IT MAY BE NECESSARY TO AMEND THE ANTI-REDLINING ACT TO INCORPORATE THESE GUIDELINES OR STANDARDS INTO THE STATUTE. ALSO, WE'VE DEVELOPED A BROCHURE ON VMRB'S TO BE GIVEN TO CONSUMERS, REALTORS AND LENDERS. THE BROCHURE INFORMS CONSUMERS ABOUT THE EXISTENCE OF VMRB'S AND SHOWS HOW THEY CAN APPEAL THE LOAN DECISION TO THEIR LOCAL VMRB.

THE RECENTLY COMPLETED SURVEY AND THE BROCHURE WERE IMPLEMENTED WITH THE INTENT OF RENEWING THE INTEREST IN VMRB'S, WHICH HAVE LOST SOME OF THEIR IMPETUS SINCE THEY WERE ORIGINALLY CONCEIVED. OUR EXPERIENCE WITH VMRB'S HAS SHOWN US THAT PARTICIPATION BY ALL PARTIES INVOLVED IN A VMRB IS NECESSARY FOR THE OPERATION OF THE BOARD. IN MANY INSTANCES, THE OPERATION OF REVIEW BOARDS MAY SUFFER BECAUSE OF THE LACK OF QUALIFIED AND DEDICATED PUBLIC MEMBERS PARTICIPATING IN THE REVIEW PROCESS. STAFF AND I ARE CURRENTLY DISCUSSING METHODS WHICH MAY ENCOURAGE PARTIES INTERESTED IN THE MORTGAGE REVIEW BOARD PROCESS TO ASSUME A MORE ACTIVE ROLE WITH VMRB'S. THESE METHODS MAY INCLUDE PAID EXPENSES, STIPENDS, APPOINTMENT OF PUBLIC MEMBERS TO THE BOARDS BY THE GOVERNOR OR OTHER METHODS OF INDUCEMENT. I WELCOME ANY SUGGESTIONS MEMBERS OF THE SUB-COMMITTEE MAY HAVE IN THIS REGARD.

IN SUMMARY. IT'S MY OPINION THAT ONE OF THE PRINCIPAL REASONS FOR THE ANTI-REDLINING ANNUAL REPORT WAS TO REVEAL INVESTMENT AND DISINVESTMENT TRENDS IN MICHIGAN'S SMSA'S. THE DATA COLLECTED HAS ALLOWED THE BUREAU TO IDENTIFY AREAS WHICH APPEAR TO BE IN NEED OF REINVESTMENT, AND I HAVE BEEN WORKING CLOSELY WITH MY STAFF AND THE COMMUNITY INVESTMENT ADVISORY COMMITTEE (CIAC) ON APPROACHES THE BUREAU CAN TAKE TO ENCOURAGE REINVESTMENT INITIATIVES BY LENDERS, OTHER STATE AGENCIES, OR OTHER ACTION AGENCIES. THE BUREAU SENT LETTERS TO THE STATE'S LARGEST LENDERS WITH ASSETS GREATER THAN OR EQUAL TO $1 BILLION WHICH DESCRIBED THE STEPS INVOLVED IN OBTAINING APPROVAL FOR SECTION 4 PROGRAMS. SECTION 4 OF THE REDLINING ACT IS ESSENTIALLY A "GREENLINING" APPROACH WHICH PROVIDES FOR THE OFFERING OF MORE ADVANTAGEOUS LOAN TERMS IN A SPECIFIC GEOGRAPHIC AREA WITH THE PERMISSION OF THE COMMISSIONER OF THE FINANCIAL INSTITUTIONS BUREAU. THE LETTER DID NOT RESULT IN ANY COMMITMENT TO SECTION 4 PROGRAMS BY THE STATE'S LARGEST LENDERS. THE REDLINING STATUTE, HOWEVER, HAS NOT ESTABLISHED THE FINANCIAL INSTITUTIONS BUREAU AS AN ACTION AGENCY. EVEN SECTION 4 ONLY PROVIDES FOR AN EXEMPTION AND THE AUTHORITY TO CREATE SPECIAL LOAN PROGRAMS. THE BUREAU IS NOT EQUIPPED TO CARRY OUT ACTION PROGRAMS, AND SECTION 4 IS NOT ENTIRLY CONSISTENT WITH THE BUREAU'S TRADITIONAL ROLE AS A REGULATOR.

ACCORDINGLY, I WOULD RECOMMEND THAT A STUDY COMMITTEE BE FORMED TO EXAMINE THE FEASIBILITY OF MSHDA ASSUMING THE RESPONSIBILITY FOR SECTION 4 OF PA 135. IT IS THE BUREAU'S OPINION THAT MSHDA WOULD BE THE APPROPRIATE AGENCY TO IMPLEMENT THIS PROVISION OF PA 135 BECAUSE MSHDA WAS CHARTERED TO ASSIST IN THE FINANCING OF HOUSING FOR LOW AND MODERATE INCOME FAMILIES. MSHDA, WITH ITS CURRENT RESPONSIBILITIES WOULD APPEAR TO BE THE LOGICAL AGENCY TO CARRY OUT ACTION PROGRAMS WHICH COULD HELP TO STEM THE TIDE OF DISINVESTMENT IN CERTAIN AREAS OF OUR STATE. ALTHOUGH MSHDA ALLOCATES MULTI-FAMILY LOAN FUNDS TO DISTRESSED AREAS, MSHDA DOES NOT ALLOCATE SINGLE FAMILY LOAN FUNDS BY GEOGRAPHIC AREA. THE DATA COLLECTED BY THE BUREAU REVEALS INVESTMENT AND DISINVESTMENT TRENDS WHICH COULD SERVE AS GUIDELINES IN THE ALLOCATION OF MSHDA SINGLE FAMILY FUNDS BY GEOGRAPHIC AREAS. IT IS OUR UNDERSTANDING

THROUGH DISCUSSIONS WITH MSHDA STAFF THAT MSHDA'S STATUTE DOES NOT REQUIRE THAT A CERTAIN AMOUNT OF FUNDS BE ALLOCATED FOR THE FINANCING OF EXISTING SINGLE FAMILY STRUCTURES VERSUS NEW SINGLE FAMILY STRUCTURES. I WANT IT CLEARLY UNDERSTOOD THAT I AM NOT ADVOCATING THAT MSHDA ASSUME THE ROLE TRADITIONALLY RESERVED FOR CONVENTIONAL LENDERS. I ENVISION A SCENARIO IN WHICH CONVENTIONAL LENDERS ACTING IN CONCERT WITH MSHDA FORM A PARTNERSHIP APPROACH IN MEETING THE HOUSING AND CREDIT NEEDS OF MICHIGAN'S LOW AND MODERATE INCOME FAMILIES. I BELIEVE THAT SECTION 4 AND ITS "GREENLINING" APPROACH MAY BE THE FIRST STEP IN DEVELOPING THIS PARTNERSHIP.

THE COMMUNITY INVESTMENT ADVISORY COMMITTEE, FORMED IN 1980, ADVISES THE BUREAU ON METHODS TO IMPROVE THE MORTGAGE ANTI-REDLINING ANNUAL REPORT AND SUGGESTS WAYS TO MAKE THE BUREAU'S URBAN INVESTMENT PROGRAM MORE EFFECTIVE. THAT COMMITTEE HAS REVIEWED AND ENDORSED THE CONCEPT OF GETTING MSHDA INVOLVED IN IMPLEMENTING SECTION 4, AND I WILL INFORM THE COMMUNITY INVESTMENT COMMITTEE OF MY TESTIMONY BEFORE THIS COMMITTEE AND OF YOUR INTEREST IN OUR PROGRAM.

IT IS MY BELIEF THAT PROVIDING INFORMATION ON DISINVESTMENT TRENDS TO THOSE PARTIES INTERESTED IN REINVESTMENT INITIATIVES MIGHT SERVE AS A CALL TO ACTION. WITH THAT IN MIND, I INCREASED THE DISTRIBUTION OF THE LAST TWO ANTI-REDLINING ANNUAL REPORTS. HOWEVER, I WOULD RECOMMEND EVEN WIDER DISPERSAL OF INFORMATION ON DISINVESTMENT TRENDS TO CITY PLANNERS, COMMUNITY GROUPS, AND OTHER POLICY MAKERS WHO UNDERSTAND THE DIMENSIONS OF THIS PROBLEM.

ADDITIONALLY, VICKI GILLETTE AND THE MICHIGAN HOUSING COALITION HAVE PROPOSED THE CONCEPT OF A HOUSING TRUST FUND WHICH COULD PROVIDE FUNDS FOR HOUSING TO LOW AND MODERATE INCOME CITIZENS. ALTHOUGH ONLY IN THE DEVELOPMENTAL STAGES, THE CONCEPT HAS TREMENDOUS POTENTIAL FOR CREATING FUNDS FOR REINVESTMENT. DEPUTY COMMISSIONER BROWN, WHO IS IN ATTENDANCE TODAY, WILL PROVIDE ADDITIONAL INFORMATION ON THE CONCEPT OF THE HOUSING TRUST FUND.

SPEECH PRESENTED BY COMMISSIONER KUTHY TO THE NATIONAL CONFERENCE OF STATE LEGISLATURES

JUNE 14, 1985

My charge today is to inform you how we arrived where we are today with regard to banking - to give you my impressions of the basis for the tremendous pressure for change we're now experiencing.

Part of the problem - if I may call it that - stems from some mammoth-size loopholes in federal law, part from our impressive technological progress. Still more of the furor results from the level of bank failures in the past three years and the spectacular problems of yet other institutions whose woes have been blazoned across newspapers since the Penn Square debacle.

It has been very apparent to all of us here that it is the rights of our states which have been hardest hit by the loophole exploiters. But where and why did these rights originate that we are trying staunchly to defend against the onslaught of nonbank banks and others?

Throughout the history of our uniquely decentralized system of banking and bank deregulation has run a consistent theme - that the undue concentration of economic power is a serious threat to our national common good and that decentralization of control over financial resources is the best means of ensuring against undue concentration of economic resources. It has been recognized that decentralized control serves the public interest in the long-term promotion of competition, in the avoidance of conflicts of interest and in ensuring that all sectors of the economy, as well as all geographic areas, are adequately and equitably served by financial intermediaries.

In 1832, President Andrew Jackson vetoed the rechartering of the Second Bank of the United States as a dangerous center of concentrated financial power which threatened political and social democracy. Of concern was the Second Bank's exclusive control over the nation's currency and, thereby, the effective allocation of credit resources. Following the expiration of the Second Bank's charter in 1836, the federal government did not again enter the bank chartering field until the Civil War.

In the late 1830's, the "free banking" movement began at the state level. By allowing state banks to be chartered under general rules of incorporation, rather than requiring special acts of the legislature, a major step was taken toward our modern, highly competitive system of banking. Yet, such laws were designed to provide a balance between encouraging the growth of banking and preventing the concentration of banking power. During this period, states were the exclusive chartering and regulatory authorities for banks, and the number of banks increased substantially. There was excessive issue of bank notes, there was little or no provision for note redemption, and counterfeiting was a serious problem. "In 1862," according to Senator John Sherman "there were fifteen hundred banks, the notes of 253 of which had not been counterfeited. The variety of imitations was 1,861; of alterations, 3,039; of spurious notes, 1,685."

In 1863, responding to the unsatisfactory condition of the currency and to problems encountered in financing the war effort, Congress enacted the National Currency Act -- later replaced by the National Bank Act of 1864 -- to authorize a system of federally chartered, but privately-owned national banks. Banks were encouraged to purchase government bonds as a basis for issuance of national bank notes and to help finance the war. State bank notes were driven from the scene by a 10 percent tax, but since, by then, note circulation was not essential to banking, state banks survived.

National banks were given no express branching authority under that National Bank Act and were held by the Supreme Court to be subject to state laws restricting or prohibiting branching by state banks. Responding to the competitive inequities faced by national banks with respect to the variety of state branching laws, Congress adopted the McFadden Act of 1927 which authorized national banks to establish branches only in their home office city and only if branching was permitted by state law. Many states were encouraged by the law to enact legislation against branching, though this anti-branching attitude receded during the collapse of the banking system in the early 1930s.

At the federal level, subsequent attempts to amend the McFadden Act to allow national bnaks to branch regardless of state law were met with stiff opposition on the grounds that such an amendment would deprive the states of their control over banking structure and would result in a greater concentration of banking resources. Instead, Section 23 of the Banking Act of 1933 was adopted, which allowed national banks to establish branches only within their home state and only to the extent that state laws permitted branch banking. State control over bank structure was thus firmly established as the premier safeguard against undue concentration of banking resources.

In the early 1950's, supporters of the decentralized dual banking system became concerned with the growth of multi-bank holding companies, which were evading state branching laws by creating numerous subsidiary banks, both within and across state lines, and operating such banks essentially as branches. In addition, there was deep concern over moving too quickly and too far in the areas of permissible bank holding company activities and corporate ownership of financial institutions.

The Bank Holding Company Act of 1956 was enacted to accomplish two primary objectives: "it was designed to prevent the concentration of banking resources in the hands of a few financial giants", and "it was intended to implement a Congressional policy against control of banking and nonbanking enterprises by a single business entity." As the U.S. Supreme Court recently noted, "underlying both objectives was a desire to prevent anticompetitive tendencies in national credit makers."

The Douglas Amendment to the Bank Holding Company Act, enacted as Section 3(d) of the Bank Holding Company Act of 1956, sought to further these ends by ensuring that national banks would not use bank holding companies as mechanisms to evade state law restrictions on bank location. It represented a compromise between proponents of bank and bank holding company expansion interstate and those who opposed such expansion. It established a general federal prohibition against interstate acquisitions, but also allowed individual states to lift that prohibition by an explicit and specific statutory authorization to the contrary.

Senator Douglas declared that his amendment would carry out the long-established federal policy against the undue concentration of financial resources, in order to ensure both political liberty and economic competition:

> . . . what the sponsors of the amendment are seeking to do is to prevent an undue concentration of banking and financial power, and instead to keep the private control of credit diffused as much as possible.
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> . . .
> Andrew Jackson realized all this when he faced Nicholas Biddle and the Second Bank of the United States . . . (Jackson) wanted credit and banking to be decentralized and diffused so that men might be free.

Senator Douglas pointed out that in nations where banking resources had become concentrated in a few giant banks, competition had diminished and industry had become concentrated. Therefore, he argued, the Act and his amendment were needed to "check and, if possible, to roll back the concentration of banking and credit" in the United States.

Senator Douglas also emphasized that his amendment would prevent bank holding companies from evading state limitations on bank expansion:

> Our amendment aims . . . to carry over into the field of holding companies the same provisions which already apply for branch banking under the McFadden Act - namely, our amendment will permit out-of-state holding companies to acquire banks in other states only to the degree that state laws expressly permit them; and that is the provision of the McFadden Act.

Historically, Congress has considered decentralization of control over financial resources to be the best means of ensuring against undue concentration of economic resources, of promoting competition, of avoiding conflicts of interest and of ensuring that all geographic areas are adequatly and equitably served by financial intermediaries.

As a compromise measure, the prohibition on the interstate ownership of bank subsidiaries by bank holding companies was not designed to be absolute - a lock without a key. It was designed to be a safe repository for the concerns of Congress about undue concentration of control over financial resources and anti-competitive market tendencies. The keys to that lock are entrusted to the states. The states are to determine if changes in economic circumstances have altered the balance of public interest so as to warrant relaxation of that prohibition, and to what degree. The importance of the role entrusted to the states, whatchdog over a key public interest determination, required a sweeping grant of authority. This is what was given in the Douglas Amendment. The maintenance of state control over bank structure remains our nation's greatest safeguard against undue concentration of economic power.

A significant number of state legislatures have taken up the question of how to respond to a changing marketplace and whether change in bank structure is warranted. In the context of the public interest considerations involved, it is appropriate that the states have reacted with approaches which vary widely. Some states have lowered barriers to interstate bank ownership with state laws passed pursuant to the authority under the Douglas Amendment. Others have elected to defer action, awaiting resolution of the legal issues recently pending before the Supreme Court or allowing time in which to observe the effect of such structural changes in the lead states. The majority have either specifically rejected interstate proposals or have not had serious proposals before their state legislatures.

Basically, the statutes of those states which permit interstate bank acquisitions by bank holding companies fall into four general categories: non-reciprocal interstate laws (Alaska / Maine), reciprocal interstate laws (New York / Massachusetts / Connecticut / Rhode Island / Florida / Georgia / North Carolina / South Carolina / Virginia / Kentucky / Utah and Indiana), limited-purpose charter laws (Delaware / South Dakota / Nebraska / Nevada / Maryland) and emergency acquisition laws (Oregon / Utah / Virginia / Washington / *et al.*) It is important to note that *every state that has acted to specifically permit interstate* bank acquisition has limited or conditioned that authorization in some manner. I think it is appropriate, at this point, to discuss some of the reasons why states have elected to exercise their authority under the Douglas Amendment. I make no value judgment as to whether these reasons are valid or the state statutes will serve the purpose for which they were intended.

Many states have acted for economic development reasons. This can be in order to attract new investment capital or stem the outflow of domestic investment capital to other states, as exemplified by Maine's net new funds" approach; it can be to create employment opportunities in a depressed economy, as exemplified by the South Dakota approach, or it can be a part of an overall corporate strategy, as exemplified by the Delaware approach.

Several states, including those with failing bank interstate legislation and some who have opted for broader interstate legislation, were motivated by a need to expand their list of alternatives in the handling of problem institutions. This may be necessary because there are an insufficient number of qualified intrastate bidders, because the industry is already heavily concentrated, or because the premium which might be offered for an interstate foothold could far exceed the actual value of the failing institution.

Much of the current flurry of state legislative activity appears to be motivated by anti-concentration concerns and industry positioning strategies. This can be in the form of attempting to attain regional consolidation and strengthening before facing nationwide competition or to increase the pool of potential buyers and the price for individual institutions. Interestingly, the Maine experience suggests that acquisitions occur from the top down in terms of size and quality of institution rather than from the bottom up. This effect may cause disappointment among stockholders in some smaller institutions and those in public service sectors who sought to strengthen weak institutions with capital infusions.

One reason put forward by proponents of interstate legislation which appears to have little basis in fact is that the quantity and quality of financial services to a state's population will be greatly enhanced. There appears to be little relationship between the interstate ownership of financial institutions and the provision of adequate financial services on either an intrastate or interstate basis. First, it is difficult to identify a sector of the business community or the population which is not now adequately served. A great range of interstate services is available and, with the advent of new technology, these will increase. Deposit gathering is the only heavily restricted interstate transaction which appears to bear a direct relationship with interstate ownership. Second, even if an inadequately served sector were identified, it is hard to imagine how interstate ownership would, of itself, solve such a problem. Specific remedial legislation would probably best serve to target funds or services to the sector which needs them.

In order to appropriately weigh the potential benefits of interstate banking, some offset for potential costs is necessary. These include potential net outflow of capital, potential loss of deposit-base expansion incentives, potential destruction of state-federal checks and balances, and potential for concentration of ownership and control of financial resources, with concomitant concentration of the economic power base. The degree of relevance of each of these potential costs and benefits to the economy and people of an individual state is a question which each state must assess. Some mitigation of potential costs or harms is, of course, possible through the use of statutory conditions or limitations on interstate operations.

It is absolutely necessary that states have the ability to place conditions and limitations on authorizations for interstate bank acquisitions. Without this capability, they cannot provide the effective safeguards which Congress intended. It is not economic protectionism about which we are speaking, but protection of the public interest.

The conditions and limitations which states have imposed are based on the same public interest considerations which caused congress to create a decentralized banking system. As I stated before, concern with the undue concentration of economic resources is the linchpin, with additional public benefits accruing with the long-term promotion of competition, the avoidance of conflicts of interest and the guarantee that all sectors of the economy and all geographic areas are adequately and equitably served by financial intermediaries, including guarantees of local reinvestment.

The form of limitation most often attacked is the regional interstate banking approach. That is the approach which has garnered the most interest in Michigan.

A former Chairman of NCNB has called regional interstate banking the "best means of producing additional banking companies capable of effective competition with money center banks and with large financial institutions." Others have said that regional banking is a long stride in the trek toward ocean-to-ocean banking in the United States. But there are those who believe fervently that at the heart of the proliferation of regional banking laws is the spectre of protectionism, and that such laws represent unauthorized and unconstitutional regional compacts.

Proponents of full interstate banking have argued that the Douglas Amendment was intended to be nothing more than an "on-off" switch, that states have no right to place conditions or restrictions on entry. This is totally out of keeping with the history of the Douglas Amendment. Moreover, the purposes underlying enactment of Douglas could not be served if that were true.

I confess I breathed a sigh of relief last Monday when the Supreme Court affirmed the 2nd Circuit Court of Appeals' decision in Northeast Bank Corp. v. Board of Governors and Citicorp v. Board of Governors, which held that regional reciprocity laws are proper and do not violate constitutional prohibitions against interstate compacts.

Monday's decision leaves states free to fashion bank structure laws that address public interest issues. It is a clear statement that full interstate banking is not "inevitable" unless Congress mandates that it be. At the moment, it seems logical to wait and see what happens in states that have opened their borders, which facilitates future action based upon fact rather than on supposition.

In the last two years, yet another form of interstate incursion has become increasingly popular. Through the nonbank bank mechanism, the Bank Holding Company Act of 1956 has been used to achieve exactly what it was designed to prevent. As the United States Supreme Court recently set out, the BHCA was enacted to accomplish two primary objectives: ". . . it was designed to prevent the concentration of banking resources in the hands of a few financial giants. . .", and ". . . it was intended to implement a Congressional policy against control of banking and nonbanking enterprises by a single business entity." As the Court noted, ". . . underlying both objectives was a desire to prevent anticompetitive tendencies in national credit markets." This legal aberration allows the circumvention of Congressionally-fashioned controls over (1) the mixing of banking and commerce, (2) the interstate deposit-taking capability of money-center institutions, and (3) the concentration of economic power through depository institution ownership. As you know, Section 2 of the Bank Holding Company Act defines a bank as an institution that both accepts deposits available on demand and makes commercial loans. Diverstiture of either of these roles allegedly allows the non-bank bank to avoid key aspects of the current statutory scheme while retaining its bank charter.

The section of the Act pertaining to non-banking activities of BHCs, Section 4, both provided the motivation for the passage of the Act and represented trade-offs between the public interests I have identified. It delineates the standard for permissible non-banking activities and, thereby, limits the ownership of banks by corporations engaging in non-banking activities. The overriding public interest concerns were written right into the Act which directs the Federal Reserve Board to consider certain factors in determining whether an activity is appropriate under 4(c)(8):

> In determining whether a particular activity is a proper incident to banking or managing or controlling banks the board shall consider whether its performance by an affiliate of a holding company can reasonably be expected to produce benefits to the public, such as greater convenience, increased competition, or gains in efficiency, that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interest, or unsound banking practices.

The public need for stability in our financial system dictated safety and soundness regulation, which has proven to be cost-beneficial. The inclusion of "unsound banking practices" among the "laundry list" factors is explicit recognition of the risks which attend the unregulated mixing of banking and commerce.

Public concern over the undue concentration of financial resources is reflected in both the limitations of the non-banking activities of the BHCs and the structural limitations contained in the Douglas Amendment. Aggregate concentration - the proportion of assets or output accounted for by the largest firms within the economy or some major sector thereof - has long been considered an important indicator of political and economic power.

It is not as fashionable as it once was to be concerned with the concentration of economic power. The promotion of competition and efficiency in service delivery has been the focus of recent attention, often at the expense of safety and soundness and concentration considerations. The public benefit derived from the promotion of competition - the avoidance of decreased or unfair competition - is painfully clear. The difficulty is, and always has been, in striking an appropriate balance between short-term enhancement of competition, and avoiding longer-term anti-competitive tendencies in national credit markets. The decentralization of the American dual banking system, highlighted by decentralized control of structure, is a major factor in ensuring competition. Decentralization of authority assures more participants in the marketplace by ensuring against abuse of the restricted entry requirements. Ease of entry is a major factor in assessing the competitive vitality of a market.

In addition, the choice between national and state charters creates regulatory competition which produces a healthy, pro-competitive creative tension for marketplace innovation while providing protection against the competition-stifling effects of overly burdensome regulation. Competition is not promoted over the long run by either the destruction of decentralized control over structure of the enhancement of the market position of only the largest "fail-safe" institutions. In fact, if interstate holding companies are permitted to acquire FDIC-insured banks without becoming subject to the prudent restrictions on bank acquisitions and activities contained in the Act, then bank holding companies which are regulated under the Act would be placed at an increasing competitive disadvantage.

It is also clearly in the public interest to protect the franchise value of the bank charter. The value of a franchise bears a direct relationship to a market sector's tolerance for regulation. Congress must act to stem the tide of corporations which are not banks or bank holding companies, but which do own and operate banks or are otherwise offering bank-like services.

Unless the expansion of non-bank banks is halted, there can be little doubt that the fundamental policies embodied in the Act will be severely eroded or destroyed. If our Congressionally-designed system of bank regulation is in the public interest, then its circumvention stands alone as a public harm.

Indeed, the Federal Reserve Board, in its Notice of Revision of Regulation Y (January 5, 1984), has appropriately pointed out that the growth of non-bank banks outside the statutory safeguards of the BHCA "threatens to undermine the system of bank holding company regulation *as a whole*." Similarly, in its order approving establishment of a non-bank bank in Florida by the U.S. Trust Corporation, the Board called for Congressional action to avoid widespread systemic harm.

Since the Senate Committee on Banking, Housing and Urban Affairs last tried to close the nonbank bank loophole, there have been several important developments. On February 15, 1985, the U.S. District Court for the Middle District of Florida granted the Independent Bankers Association of America motion for a preliminary injunction, barring the Comptroller of the Currency from granting final charter approvals for any more non-bank banks, pending the Court's final decision. On March 15, the Federal Reserve Board announced that it was suspending further processing of all pending applications by bank holding companies to acquire nonbank national banks, based upon the District Court's injunction. And, on May 20, the U.S. Court of Appeals for the 11th Circuit handed down its decision in *Florida Department of Banking and Finance v. Board of Governors of the Federal Reserve System* which involved the Fed's approval of a New York holding company's "non-bank" national bank in Florida *without* Florida's appproval and in the face of a Florida statute which expressly *prohibited* such establishment. The Court said, "We perceive the U.S. Trust application to be a violation of the Douglas Amendment; such a violation cannot be justified by the Board's power under 4(c)(8) to approve activities closely related to banking. Activities approved as closely related to banking have been the acquisition of brokerage services or the offering of credit life insurance, not the wholesale abandonment of one of Congress' chief goals in enacting the Bank Holding Company Act . . . It suffices that Florida has spoken clearly that it does not want out-of-state bank holding companies to establish banking operations in Florida. To approve the U.S. Trust application would destroy Florida's state policy to not allow the unfettered expansion of out-of-state bank holding companies. More importantly, such approval would also destroy the important federal policy embodied in the Douglas Amendment . . . which allows the state to choose for itself whether to open its borders to out-of-state banks."

That court has handed back to you the ability to determine what course is appropriate for your state's unique character and condition. It is possible that Congress may step in and take it away again, but until then, according to the Court, in the Board's capacity as custodian of the Bank Holding Company Act, "it is charged with insuring compliance with Congress' goals even when Congress muddles the waters."

One of the great strengths of the dual banking system is the opportunity it provides for experimentation. States have acted as laboratories where new ideas can be tested without putting the entire system and the public interests underlying it in jeopardy. These experiments often have resulted in subsequent action by Congress authorizing similar functions; e.g., bank branching in the 1920s and 1930s and NOW accounts in the 1970s. Last year, in its deliberations over S. 2851, Congress was faced with the question of whether to preserve or preempt state authority over state-chartered banks. Part of the bill had been drafted in response to South Dakota's highly controversial law permitting out-of-state banking organizations to open limited purpose banks for the purpose of selling insurance elsewhere in the nation. As introduced, the bill would merely have limited the ability to *export* powers not granted to bank holding companies by federal law; but, as amended in Committee by Senator Dodd, it would have preempted the authority of a state to authorize its state-chartered institutions which are subsidiaries of bank holding companies to engage, even in the home state, in insurance activities beyond those authorized by the Garn-St. Germain Act of 1982 for the parent holding company.

In order to fully appreciate the harm caused by the Dodd Amendment, an understanding of the balance between state and federal authority pertaining to both the non-bank subsidiaries (Section 4) and the bank subsidiaries (Section 3) of a bank holding company under the Bank Holding Company Act is essential.

Section 3 subsidiaries are bank subsidiaries, chartered and operated as specialized institutions whose powers are determined by state banking codes or the National Bank Act for state-chartered and national banks, respectively. Limited in function, banks are generally limited in geographic scope of operations as well. That is, the McFadden Act and its application to both bank branches and other bank activities which display characteristics of bank branch activities have tended to cause those activities to be carried out within a state. Interstate activity by a bank itself has tended to be the exception, (e.g., loan production offices,) and has been viewed as such by the courts.

Section 4 (non-bank) subsidiaries are, by their corporate nature, available for interstate activity. Once incorporated, their activities follow the industry pattern of their non-BHC-owned competitors. Personal loan companies and mortgage finance companies may follow local laws and regulations within the states in which they operate, but they typically operate in more than one state.

A clear scheme of authorization and regulation is evident, distinguishing between deposit-taking banks and other corporations, the stock of which is held by the holding company. States are basically free to permit state-chartered institutions to serve the public in ways consistent with the needs of each individual state, limited naturally by the controls on location with which banks must comply, also administered by the state. Interstate general corporate activities of holding companies, on the other hand, are controlled by the Congress and the Federal Reserve Board, both as to type of activity and location.

The present legislative controversy revolves about the proposed use of the South Dakota insurance law to enable an out-of-state bank holding company (Citicorp) to offer interstate insurance services which it would otherwise be precluded from engaging in. If a resolution to this situation is considered necessary, then it can be accomplished by attacking the novelty of the Citicorp proposal. Restoration of the balance between federal and state authority discussed above requires only that the "for export" (interstate) aspect of the South Dakota law be addressed, by limiting the interstate insurance activities of bank subsidiaries. Bank or corporate subsidiaries would then be allowed to provide insurance activities on an interstate basis, only as constrained by Title VI of Garn-St. Germain.

Congress has in recent legislation consistently chosen to keep the Federal Reserve out of the Regulation of state-chartered nonmember banks. In the 1980 Monetary Control Act, Congress rejected mandatory Fed membership (and subsequent regulatory jurisdiction by the Fed) to solve the Federal Reserve's declining membership problem. In the International Banking Act, Congress determined that provisions of the Federal Reserve Act which are concerned with the Fed's supervisory authority should not be extended to nonmember depository institutions. In the Export Trading Company Act, the Congress eliminated proposed extension of Federal Reserve supervisory authority into areas already adequately covered by state law.

A consistent pattern of parallel regulation has been achieved. The Federal Reserve serves an important role in the Bank Holding Company Act as arbiter of those Section 4(c)(8) corporate activities *closely related to banking.* However, I am happy to say that expansion of Federal Reserve Board regulatory authority over state nonmember banks has been consistently rejected. Such extension would be inconsistent with the well-established view of Congress that the dual banking system already adequately assures effective supervision of state-chartered banks.

I hope this brief look at where we are and where we have been has been of interest. Clearly, I have ignored a number of important financial issues confronting you and the Congress. It is yet to be determined, for example, to what extent retailers, insurance companies and others should be permitted to engage in the offering of financial services and to what extent they should be regulated. Do you deregulate banking to enable it to compete with the non-bank firms? Or, looking at bank failure rates of the last few years, should you clap the lid on banking even tighter than ever? I can tell you that won't be an easy course to steer, and I don't envy you the task. There are no clear signs along the way that point direct to a healthy banking industry or straight to economic collapse. And along the way, there will always be a new loophole to exploit or new uses made of an old loophole.

However, during the last six months, as more and more courts have affirmed states rights to govern banking within their borders in accordance with their individual and unique public interests, I have gained confidence that the dual system has a strong base of support and is here to stay. Hence, I believe if we continue to exercise prudent judgment, we have nothing to fear from the winds of change whistling around us - even though the velocity can be daunting at times.

Thank You.

SPEECH PRESENTED BY COMMISSIONER KUTHY TO THE SOCIETY OF CONSUMER AFFAIRS PROFESSIONALS

SEPTEMBER 26, 1985

Now more than ever, consumers need good shopping skills in the financial services marketplace. They are inundated with more information than ever before about the services available, and there are more services available than ever before. Just think of all the variations that have developed on the basic checking account. And consider all the options available for saving. With all the money market accounts, KEOGH's & IRA's it can be hard to make a decision. It's easy to lose track of your objectives when you're faced with a myriad of options.

This has been complicated even further by the entry of new non-traditional providers into the marketplace. Until just a few years ago, such organizations as Merrill Lynch did not provide financial services to middle America. Sears provided no financial services but its vastly successful credit card.

But as restrictions on deposit accounts evaporated, retailers, security brokers and others reexamined the market, found they had certain advantages such as location, convenience and freedom from regulation, and jumped in with both feet. The increased competition encouraged financial institutions too, to develop innovative new products. But it has also forced them to reexamine their pricing structures and their costs of doing business. As a result, many have ceased offering so called "free" services in lieu of explicit pricing for all services, and some consumers may be priced out of the market.

In some states, concern about the unavailability of financial services has led to legislative prescription of what have become known as "lifeline" banking services for low income or elderly people.

In Michigan, to date, we've taken a somewhat different approach. I have been reemphasizing to depository institutions the importance of self regulation. Over a year ago I wrote to all state-chartered depository institutions in Michigan, advising them a) to reexamine their fee schedules for services and assure that they are reasonable, and b) to be punctilious about informing their customers up front about their fees for various services.

We've observed that a number of institutions are offering no frills, low-cost services to lower income people and senior citizens. Some of these feel a strong commitment to serving all segments of their communities. Still others recognize such a plan is usually far more palatable if designed to meet their particular circumstances than if designed by the legislature.

Even so, low cost services don't help if the institution pulls out of a neighborhood. The higher cost of providing a wide range of deposit services also has led a number of bankers to reexamine the profitability of their individual offices. The results are most visible in New York, where many branches in the city have been closed. Some have been replaced by automated teller machines which can handle most basic financial transactions. Others have left large voids in communities, most of which have largely minority populations and lower than average household incomes.

populations and lower than average household incomes.

We have been fortunate to see relatively little of this to date in our urban centers in Michigan, but as shrinking profit margins squeeze our banks, we'll find we're not immune to the epidemic.

Who picks up the slack when the neighborhood bank branch closes? Who is willing to provide services to people who, for one reason or another, cannot leave their neighborhoods or cannot or will not use an automated teller machine?

Some consumers have found that their retailers and insurance companies are now meeting many of their financial services needs. A lot of people are willing to buy a c.d. where they bought their tv. But are they getting the same product their bank or savings & loan offers? Even if it looks the same on the surface, people should look at the quality of the issuer. I would be the last to say that the absence of government regulation is a sure sign of a poor risk. On the other hand, government regulation can provide a high level of assurance that an organization is operated on sound principles.

Unfortunately, even these services are often unavailable in urban core neighborhoods. Having seen the handwriting on the wall, my staff has been working for several months on a piece of legislation that we believe will fill the financial services gap. Some of you may be aware that my agency regulates a variety of non-depository financial services companies. These include second mortgage lenders, sellers of money orders, small loan companies, credit card companies, and automobile finance companies. That's a pretty broad range of useful services. We know, for example, that money orders are heavily utilized by residents of core cities.

What, we postured, would be the effect of creating an Omnibus Financial Service License - issuing a simple license to perform all those services plus, for example, safe deposit boxes, check cashing, and other basic financial services? We think that the license would be attractive to some single function licensees who already operate in urban neighborhoods. We think, too, this multi-faceted approach will generate new interest among other individuals. These organizations would be subject to bonding and other security requirements as well as to close supervision by my agency.

I am, needless to say, very excited about the prospects for success of these new companies in filling a large part of the financial services gap. As the financial revolution progresses, you may be confident that we will find means of making these vital services available to all people.